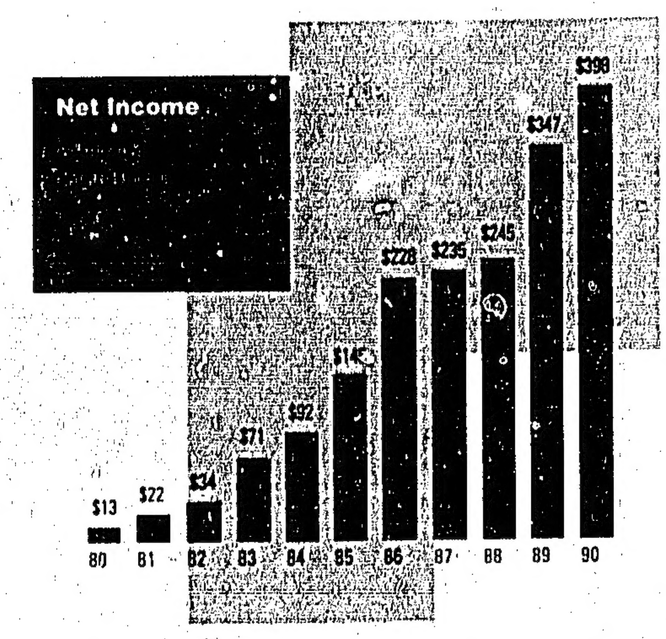
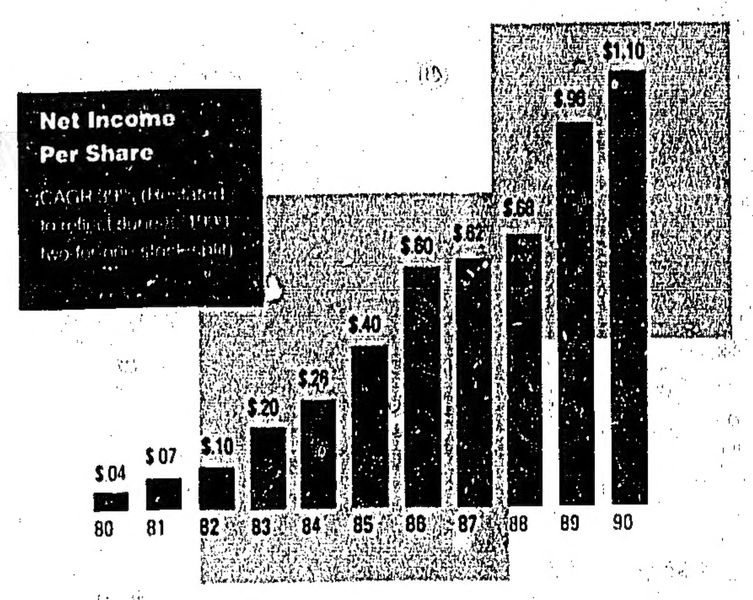
Consolidated Statements of Income

(thousands except per share amounts)

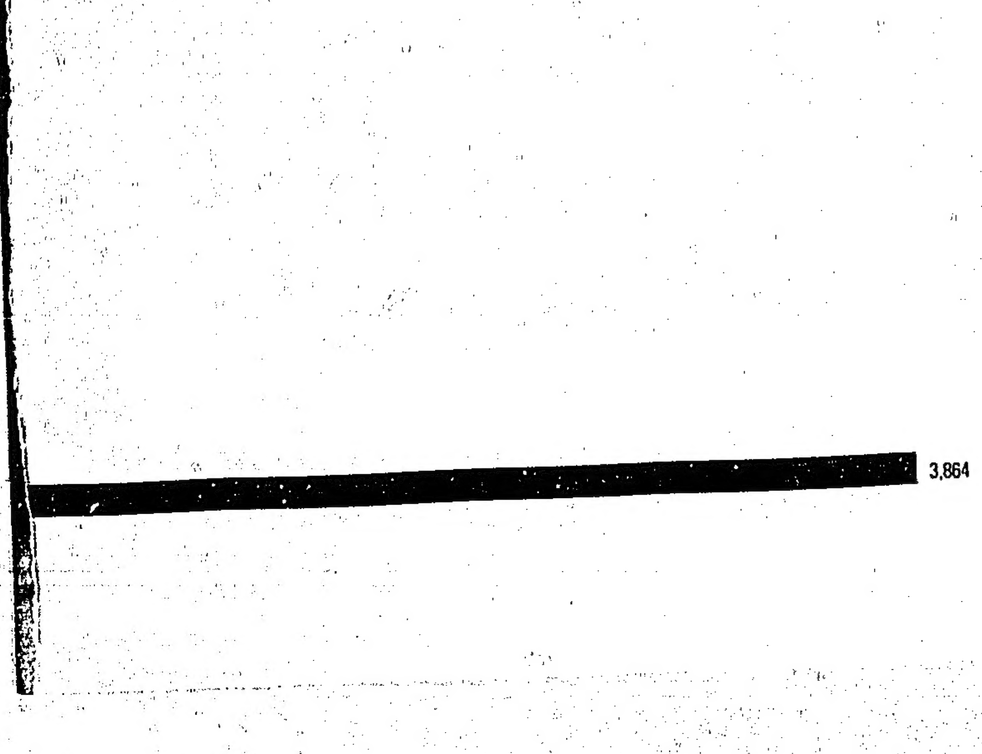
	1990	1989	1988
Net Sales	**$5,253,509**	$4,647,916	$4,070,777
Costs of Goods Sold, Occupancy and Buying Costs	**3,623,070**	3,201,281	2,856,074
Gross Income	**1,630,439**	1,446,635	1,214,703
General, Administrative and Store Operating Expenses	**932,902**	821,381	747,285
Operating Income	**697,537**	625,254	467,418
Interest Expense	**(56,609)**	(58,059)	(63,418)
Other Income (Expense), net	**12,510**	6,731	(7,864)
Income Before Income Taxes	**653,438**	573,926	396,136
Provision for Income Taxes	**255,000**	227,000	151,000
Net Income	**$ 398,438**	$ 346,926	$ 245,136
Net Income Per Share	**$ 1.10**	$ .96	$ .68

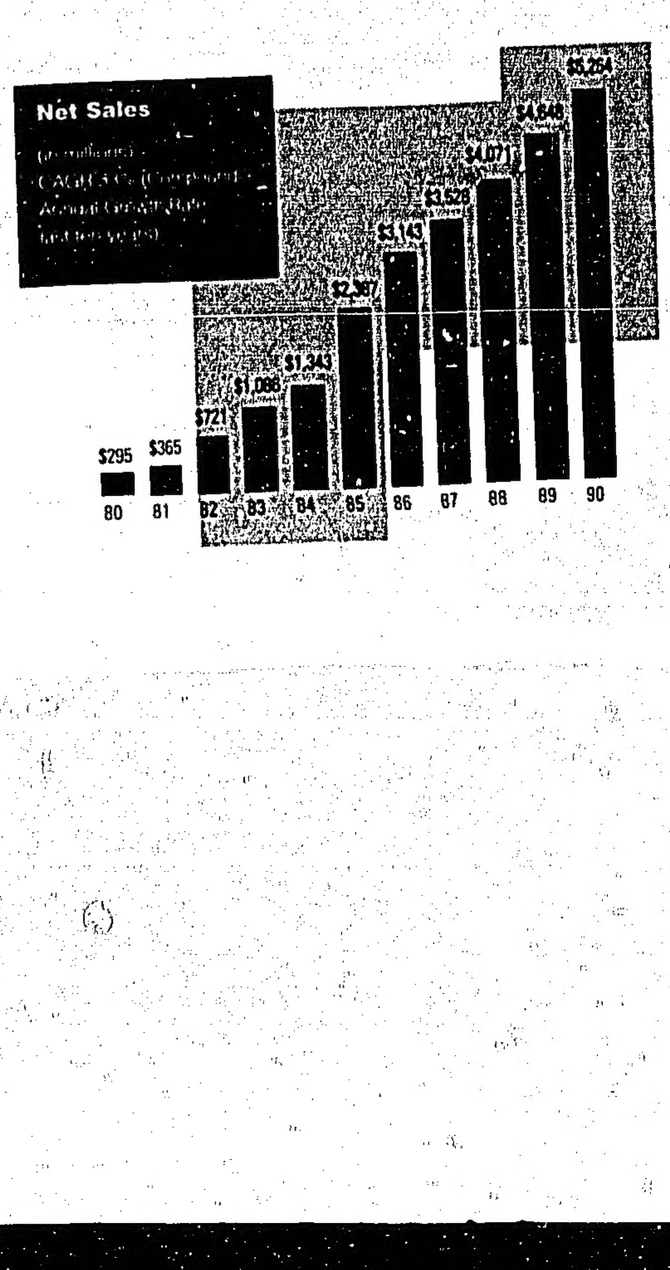
The accompanying Notes are an integral part of these Consolidated Financial Statements.





1986	1985 †	1984 *	1983	1982 †	1981	1980
$ 3,142,696	$ 2,387,110	$ 1,343,134	$1,085,890	$ 721,394	$ 364,900	$ 295,016
961,827	718,843	404,321	327,616	209,374	109,246	81,919
438,229	276,2 2	173,102	135,377	70,943	38,386	23,191
394,780	239,317	157,495	134,939	60,592	38,486	20,817
$ 227,780	$ 145,317	$ 92,495	$ 70,939	$ 33,592	$ 22,386	$ 13,142
7.2%	6.1%	6.9%	6.5%	4.7%	6.1%	4.5%
$ .60	$ .40	$ .26	$ .20	$ .10	$ .07	$ .04
$ .08	$ .05	$ .04	$ .02	$ .01	$ .007	$ .005
$ 2.07	$ 1.13	$ .77	$ .54	$ .35	$ .25	$ .19
376,860	365,638	361,262	360,372	351,012	333,042	326,136
$ 1,726,544	$ 1,494,313	$ 657,242	$ 425,240	$ 367,979	$ 142,658	$ 116,551
$ 586,827	$ 419,706	$ 180,960	$ 101,665	$ 82,305	$ 23,728	$ 18,756
2.7	2.2	2.0	1.8	1.8	1.7	1.7
$ 417,420	$ 670,744	$ 150,139	$ 68,763	$ 121,411	$ 16,571	$ 23,765
53%	166%	55%	36%	99%	20%	40%
$ 781,542	$ 404,075	$ 275,403	$ 192,576	$ 122,578	$ 83,150	$ 60,093
38%	43%	40%	45%	33%	31%	25%
2,682	2,353	1,412	937	825	430	352
11,320,000	10,460,000	5,166,000	3,667,000	3,257,000	1,491,000	1,232,000
43,200	33,600	17,700	15,300	13,500	5,900	5,000



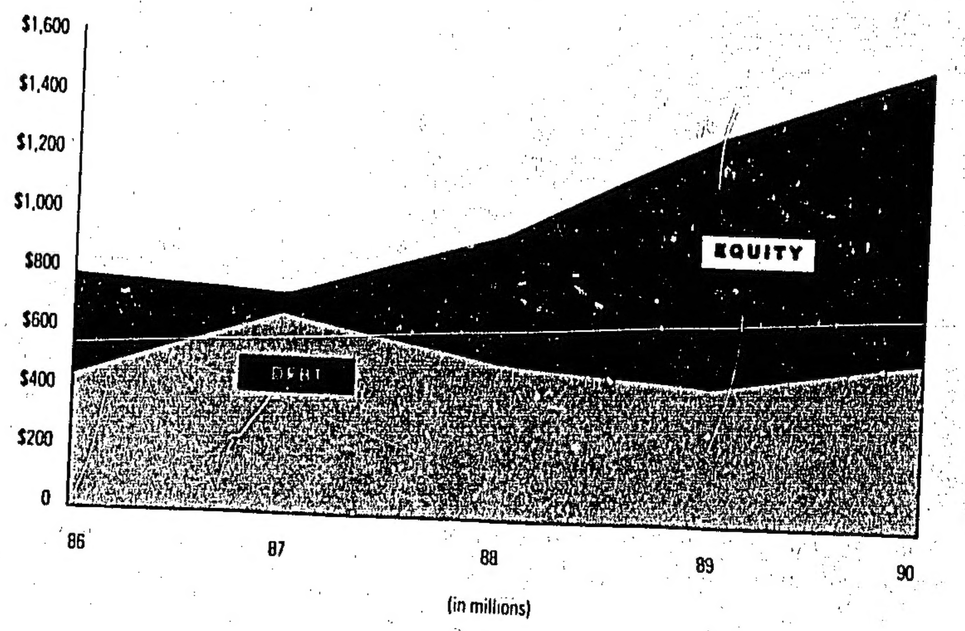


Consolidated Balance Sheets

(thousands)

Assets	Feb. 2, 1991	Feb. 3, 1990
Current Assets		
Cash and Equivalents	$ 13,180	$ 21,734
Accounts Receivable	670,296	596,171
Inventories	585,166	482,136
Other	96,319	63,703
Total Current Assets	1,364,961	1,163,744
Property and Equipment, net	1,395,073	1,172,688
Other Assets	111,844	82,054
Total Assets	$2,871,878	$2,418,486
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	$ 200,078	$ 175,319
Accrued Expenses	256,153	239,921
Income Taxes	24,726	62,980
Total Current Liabilities	480,957	478,220
Long-Term Debt	540,446	445,674
Deferred Income Taxes	254,304	214,858
Other Long-Term Liabilities	36,119	39,280
Shareholders' Equity		
Common Stock	189,727	94,863
Paid-In Capital	99,237	196,232
Retained Earnings	1,480,866	1,168,842
	1,769,830	1,459,937
Less Treasury Stock, at cost	(209,778)	(219,483)
Total Shareholders' Equity	1,560,052	1,240,454
Total Liabilities and Shareholders' Equity	$2,871,878	$2,418,486

The accompanying Notes are an integral part of these Consolidated Financial Statements.

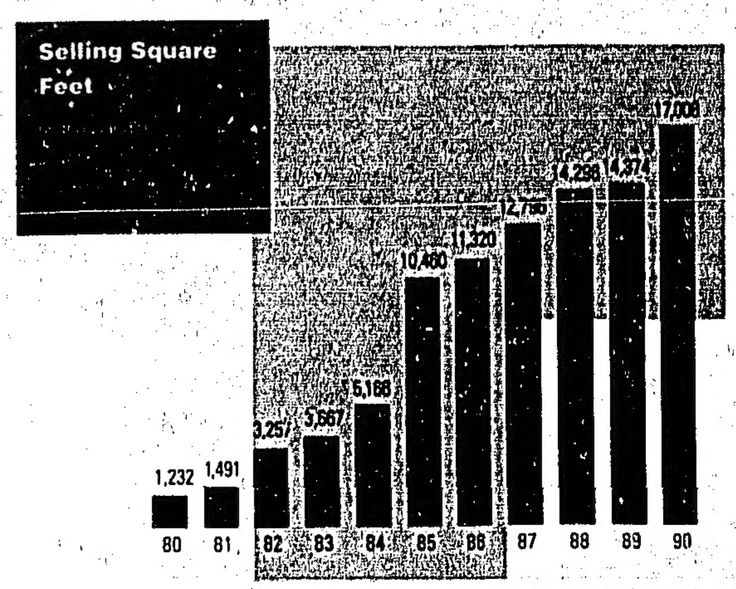


Consolidated Statements of Cash Flows

(thousands)

	1990	1989	1988
Cash Flows from Operating Activities:			
Net income	**$398,438**	$346,926	$245,136
Impact of other operating activities on cash flows:			
Depreciation and amortization	**184,385**	164,713	142,469
Change in assets and liabilities:			
Accounts receivable	**(73,791)**	(65,742)	(16,930)
Inventories	**(101,832)**	(101,580)	(44,072)
Accounts payable and accrued expenses	**38,964**	59,764	91,570
Income taxes	**(38,254)**	(14,212)	53,136
Other assets and liabilities	**16,561**	14,370	21,570
Net Cash Provided by Operating Activities	**424,471**	404,239	492,879
Investing Activities:			
Capital expenditures	**(428,844)**	(318,427)	(288,972)
Subsidiaries (acquired) disposed	**(10,987)**	34,098	(45,206)
Other	**(9,126)**	11,505	7,989
Cash Used for Investing Activities	**(448,957)**	(272,824)	(326,189)
Financing Activities:			
Net repayments under long-term debt arrangements	**(205,228)**	(322,278)	(163,048)
Proceeds from issuance of unsecured notes	**300,000**	250,000	—
Dividends paid	**(86,414)**	(57,470)	(42,982)
Stock options and other	**7,574**	4,791	6,663
Net Cash Provided (Used) by Financing Activities	**15,932**	(124,957)	(199,367)
Net Increase (Decrease) in Cash and Equivalents	**(8,554)**	6,458	(32,677)
Cash and equivalents, beginning of year	**21,734**	15,276	47,953
Cash and Equivalents, End of Year	**$ 13,180**	$ 21,734	$ 15,276

The accompanying Notes are an integral part of these Consolidated Financial Statements.

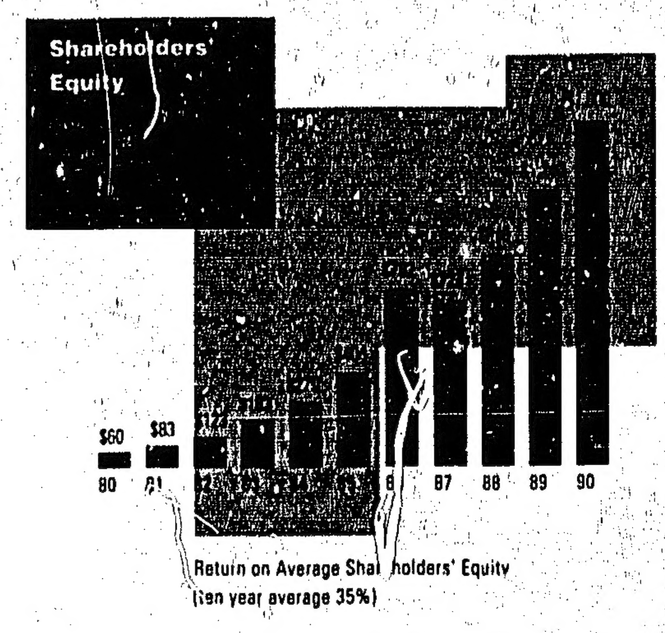


Consolidated Statements of Shareholders' Equity

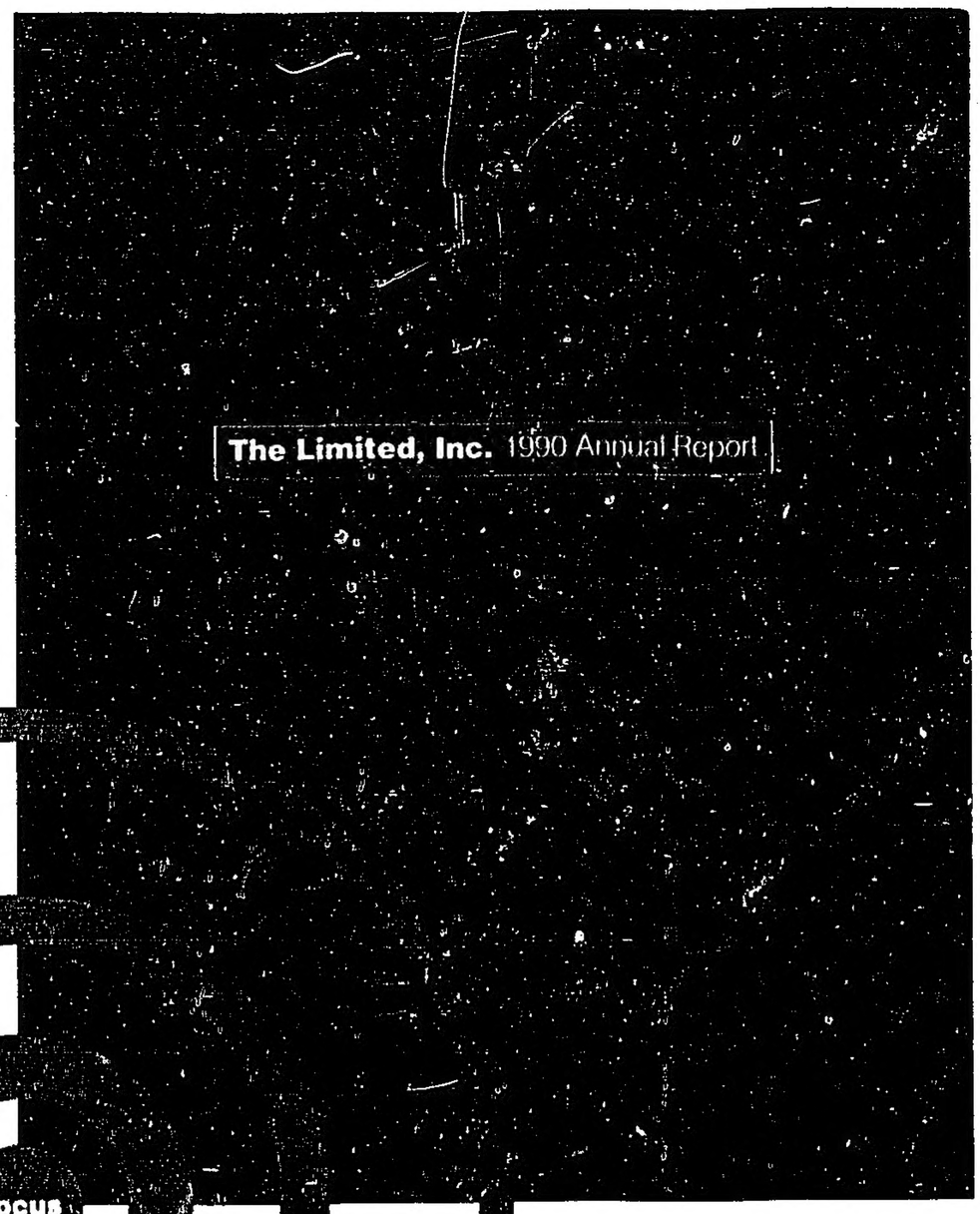
(thousands)

	Common Stock						
	Shares Outstanding	Par Value	Paid-in Capital	Retained Earnings	Unrealized Loss on Marketable Equity Securities	Treasury Stock, at Cost	Total Shareholders' Equity
Balance, January 30, 1988	**178,847**	**$ 94,837**	**$205,328**	**$ 677,232**	**$(8,219)**	**$(240,007)**	**$ 729,171**
Net income	—	—	—	245,136	—	—	245,136
Cash dividends	—	—	—	(42,982)	—	—	(42,982)
Exercise of stock options & other	425	26	(1,635)	—	8,219	8,272	14,882
Balance, January 28, 1989	**179,272**	**94,863**	**203,693**	**879,386**	**—**	**(231,735)**	**946,207**
Net income	—	—	—	346,926	—	—	346,926
Cash dividends	—	—	—	(57,470)	—	—	(57,470)
Exercise of stock options & other	571	—	(7,461)	—	—	12,252	4,791
Balance, February 3, 1990	**179,843**	**94,863**	**196,232**	**1,168,842**	**—**	**(219,483)**	**1,240,454**
Net income	—	—	—	398,438	—	—	398,438
Cash dividends	—	—	—	(86,414)	—	—	(86,414)
Exercise of stock options & other	738	—	(2,131)	—	—	9,705	7,574
Two-for-one stock split	180,017	94,864	(94,864)	—	—	—	—
Balance, February 2, 1991	**360,596**	**$189,727**	**$ 99,237**	**$1,480,866**	**$ —**	**$(209,778)**	**$1,560,052**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

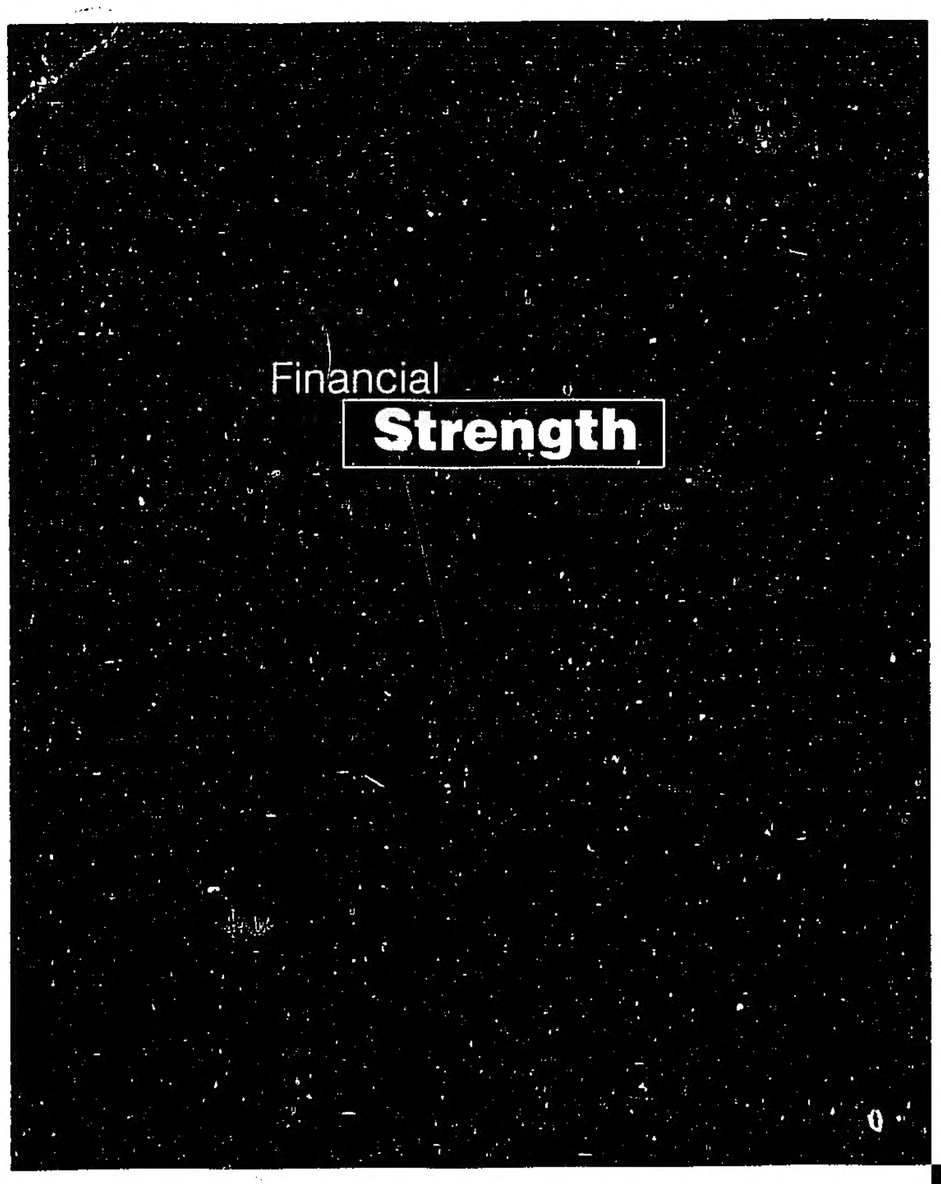


Return on Average Shareholders' Equity
(ten year average 35%)



The Limited, Inc. 1990 Annual Report

focus



Operating Results

(thousands except per share amounts)

	1990	1989*	% Increase
Net Sales	**$5,253,509**	$4,647,916	13%
Operating Income	**$ 697,537**	$ 625,254	12%
Net Income	**$ 398,438**	$ 346,926	15%
Net Income as a Percentage of Sales	**7.6%**	7.5%	
Net Income Per Share	**$ 1.10**	$ .96	15%
Dividends Per Share	**$ .24**	$ .16	50%

*Restated to reflect two-for-one stock split

Year End Position

(thousands except financial ratios)

	1990	1989	% Increase
Total Assets	**$2,871,878**	$2,418,486	19%
Working Capital	**$ 884,004**	$ 685,524	29%
Current Ratio	**2.8**	2.4	
Long-Term Debt	**$ 540,446**	$ 445,674	21%
Debt-to-Equity Ratio	**35%**	36%	
Shareholders' Equity	**$1,560,052**	$1,240,454	26%
Return on Average Shareholders' Equity	**28%**	32%	

Stores Open at End of Year

	1990	1989
Limited Stores	**778**	763
Lerner	**858**	802
Lane Bryant	**752**	720
Express	**549**	467
Victoria's Secret Stores	**442**	384
Structure	**152**	69
Limited Too	**108**	62
Abercrombie & Fitch	**27**	26
Henri Bendel	**4**	1
Cacique	**51**	44
Victoria's Secret Bath Shops	**109**	38
Bath & Body Works	**27**	6
Penhaligon's	**7**	
Total Number of Stores	**3,864**	3,382
Selling Square Feet (thousands)	**17,008**	14,374

Dear **Partner**

Last year's uncertain economic and political climate led many companies and consumers to scale back. As economists declared recession and the January 15, 1991 deadline in the Persian Gulf approached, some businesses simply cut their engines and drifted.

Not The Limited.

In 1990, our after-tax profits reached 7.6% of net sales, a Company record. Even after 1989's strong results, net sales rose 13% and net income and earnings per share were up 15%.

By conventional standards, these are good results. But we evaluate our performance using a different scale — measuring how close we come to fulfilling our potential. By this measure, I can only grade our 1990 performance about average — a C+, possibly B- at best. We should have done much better.

As we've already stated, sales and profits in 1990 slowed at our two largest businesses, Limited Stores and Lerner. Even with these disappointments, however, our total sales and income growth, as well as our margins, were among the best in the industry — which says that our other businesses did very well indeed. The implication is clear: all of our businesses could have performed to our expectations, and outside factors are no excuse for underachieving. In fact, if our two major businesses had only met their recent historical averages, then 1990 would have moved us much closer to our goal of a 10% after-tax profit margin.

A Year of Lessons

If it's not right, we fix it.

At Limited Stores, new President, Howard Gross, and his management team have already identified the fashions customers want, sharpened their brand focus, energized the sales associates, and developed a fresh view of the business for Fall. They are spending time in stores every week, waiting on customers and getting hands-on experience of what works and what doesn't. Howard's "we will win" determination is infectious. Performance at Limited Stores will improve.

The Lerner customer, like everyone, wants both an enjoyable shopping experience and quality merchandise. To satisfy her, we've radically changed our store format, and we brought in a new merchandising leader. We first experimented with the new format store in 1989; in 1990, we proved that it works; in 1991, we plan to double the selling space of the new Lerner New York format.

We learned another lesson in 1990, as we moved Lane Bryant's headquarters from New York to Columbus. While the move was a major upheaval, it could have been a disaster. Since only about one of six of the New York-based associates followed the business to Columbus, we had to recruit replacements from both inside and outside The Limited. But 1990's results showed that strong leadership and the right balance of talent can overcome tremendous difficulties: sales and profits improved significantly.

We've often claimed that we have a solid group of leaders; that many of our top people can move from one business to another because the businesses are similar, although not the same, and the skills are transferable. We proved it when the President of Limited Stores resigned one day, and by the end of the same day we had chosen Howard Gross to replace her — and a new President of Victoria's Secret, Grace Nichols, to replace *him*. It's not by accident that we continue to grow leaders and grow leadership ability — we focus on developing and teaching every day.

Throughout 1990, we were reminded once again that we have to be ready to fix and also willing to experiment — not for the sake of better year-to-year comparisons, but in order to further a coherent business plan.

Our Perspective

During the 1970s and 1980s, American retailers essentially faced the same challenges and opportunities. Identical economic and consumer trends affected everyone in the industry, and gave differing business philosophies a fair test. Many conventional retailers aggressively pursued mergers, acquisitions, or leveraged buy-outs. They believed that bigger was better; that the more they'd risk, the more they'd profit; and that economies of scale would raise earnings to new heights.

The resulting shake-out proved that only better is better.

And that's been our philosophy. Over the last ten years, our sales have increased almost 18-fold, but margins have grown so much more that our 1990 after-tax profits are almost 30 times the 1980 figure. Knowing that growth is just an aspect of success, we've looked for quality and potential before quantity.

By thinking and acting small, even as we grew, we've tried to focus on the business: offering merchandise to customers, anticipating and reacting to their changing desires, trying, testing, and monitoring.

For instance, as American shopping patterns shifted in the 1980s, we reinvented the large specialty store. Customers had less time and wanted what appeared to be a contradiction in terms: larger stores to make shopping better, and specialty stores to make it convenient. In response, we experimented with stores two, five, even ten times the size of our traditional 3,000-square-foot base. Sales and market share immediately began to grow. The format worked, and it continues to work.

Similarly, since 1982 with the acquisition of Victoria's Secret, we're always exploring new segment opportunities. All our market segments — women's, men's, and children's fashion; lingerie; and beauty care products — are the result of deliberate decisions based on our own analysis of our skills.

Moving into men's fashions — through Structure and Abercrombie & Fitch — we had to adjust from what we knew through women's apparel to match the very different shopping patterns we saw in men. We were patient as we remembered it took us several years to understand our customer well enough to turn the mundane business of selling women's underwear into a nationally recognized fashion lingerie business. And just as we started our men's apparel stores in response to our Express customers' behavior, bath and body care products grew out of experimentation with what the Victoria's Secret customer wanted. In each of these segments, we've adhered to the same basic merchandising skills, always remembering to listen and respond to customer desires. We learned that our women's specialty apparel skills *are* transferable.

Our investment in research and development is basically behind us for most of the new market segments. The 1990 results indicate we can expect solid sales and profitability growth by clustering these new businesses around a significant market segment, i.e., men's: Structure and Abercrombie & Fitch; lingerie: Victoria's Secret Stores, Victoria's Secret Catalogue and Cacique; children's: Limited Too; and toiletries: Victoria's Secret Bath Shops, Bath & Body Works and Penhaligon's. We estimate that, by the middle of this decade, our new businesses will have more selling space than Limited Stores has today, and will generate, in the aggregate, $2 billion in sales. Put another way, they'll be larger than our entire business was in 1984.

Retail changes all the time, and we will always hold our businesses to high performance requirements. We also know that one thing will remain constant: We'll keep inventing, testing, fixing, and changing, as our businesses continue to lead us into the future. If each of us does our job right every day, we will succeed. But to do that also requires financial strength and stability.

Financial Strength and Expansion

In these letters to you over the past several years, I've consistently emphasized the importance of financial strength. No company — in particular, no retailer, regardless of marketing skills — can keep growing without a foundation of financial strength and stability. The retail landscape of the 1980s is littered with the wrecks of companies that ignored this rule.

As our low debt-to-equity ratio and our $1.6 billion of equity demonstrate, our financial condition is more than sound — it is excellent. At the end of 1990, for the third consecutive year, our receivables were greater than our long-term debt. For all practical purposes, we're a $5.25 billion retail company . . . with no operating debt.

Our financial stability provides not only a shield against shocks in the economy, but also investment flexibility even in uncertain times. In 1990, for example, we added 2.6 million square feet of selling space, and 1.8 million square feet of space for distribution centers and office facilities. Capital expenditures came to $430 million, and we funded them almost entirely out of operating cash flow.

In 1991, we again plan to grow rapidly. Our goal is to add approximately 4 million square feet of selling space, increasing total selling space by 23% and, as in 1990, funded principally out of operating cash flow. We think our shareholders' investment, including that of the more than two-thirds of our associates who purchase Limited stock every week, should be working for the business and working productively for our partners and shareholders.

Our efforts and plans share a dual focus. We balance our longer-term vision of success with rigorous execution of the details of our business on a daily basis — superb execution leads to sound strategy.

Growing, Not Swelling

Quality is a popular word, and for good reason. For most businesses, it refers to excellence in products and services. At The Limited, we also work toward quality growth: building our Company in a way that makes us better, not just bigger. We know v re running our business right only when sales and margins improve together.

As we approach our goal of $10 billion in sales by the mid-1990s, we're also targeting after-tax income of $1 billion — a 10% after-tax profit margin. These aren't magic numbers. They're just the best goals we can set right now to ensure quality growth, sustainable over the next five years and into the century to come.

Leslie H. Wexner
Chairman



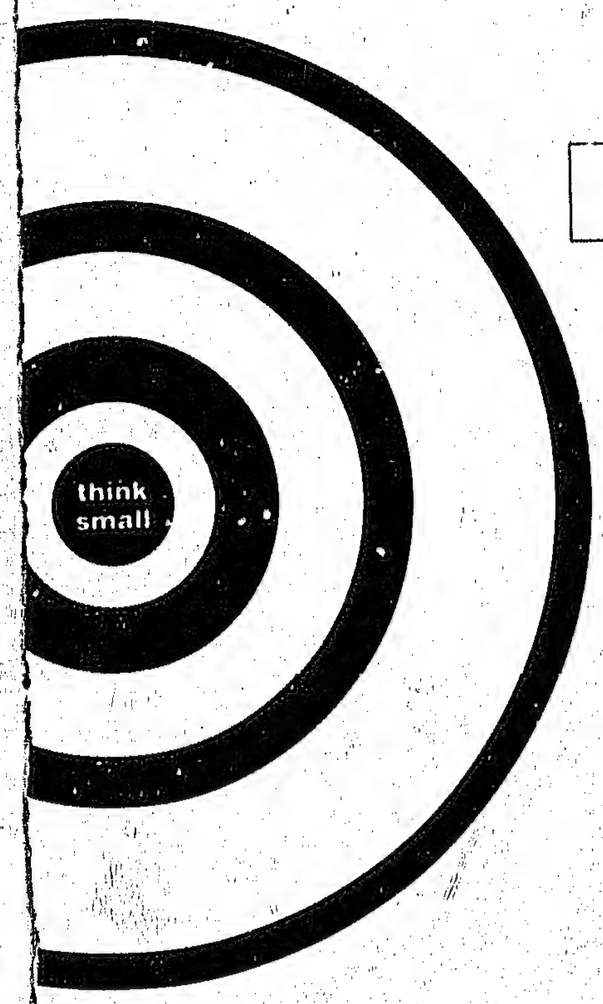
Power

	1990 Selling Sq. Ft.
Limited Stores	3,526,000
Lerner	5,721,000
Lane Bryant	3,295,000
Express	2,151,000
Victoria's Secret Stores	1,210,000
Victoria's Secret Catalogue	
Brylane Catalogues: Lane Bryant Direct, Roaman's, Lerner Direct	

Businesses

Our growth has always been based on a strategic plan and an understanding of our market and our customer.

We think, we try, we test, and we retest.



By watching carefully, listening intelligently, thinking tactically and planning strategically throughout the 1980s, we took our established businesses and turned them into powerful growth businesses.


Fashions of the Times



THE LIMITED

Number of Stores **778**

1990 Selling
Sq. Ft. - **3,526,000**

1991 Selling Sq. Ft.
Goal - **4,005,000**

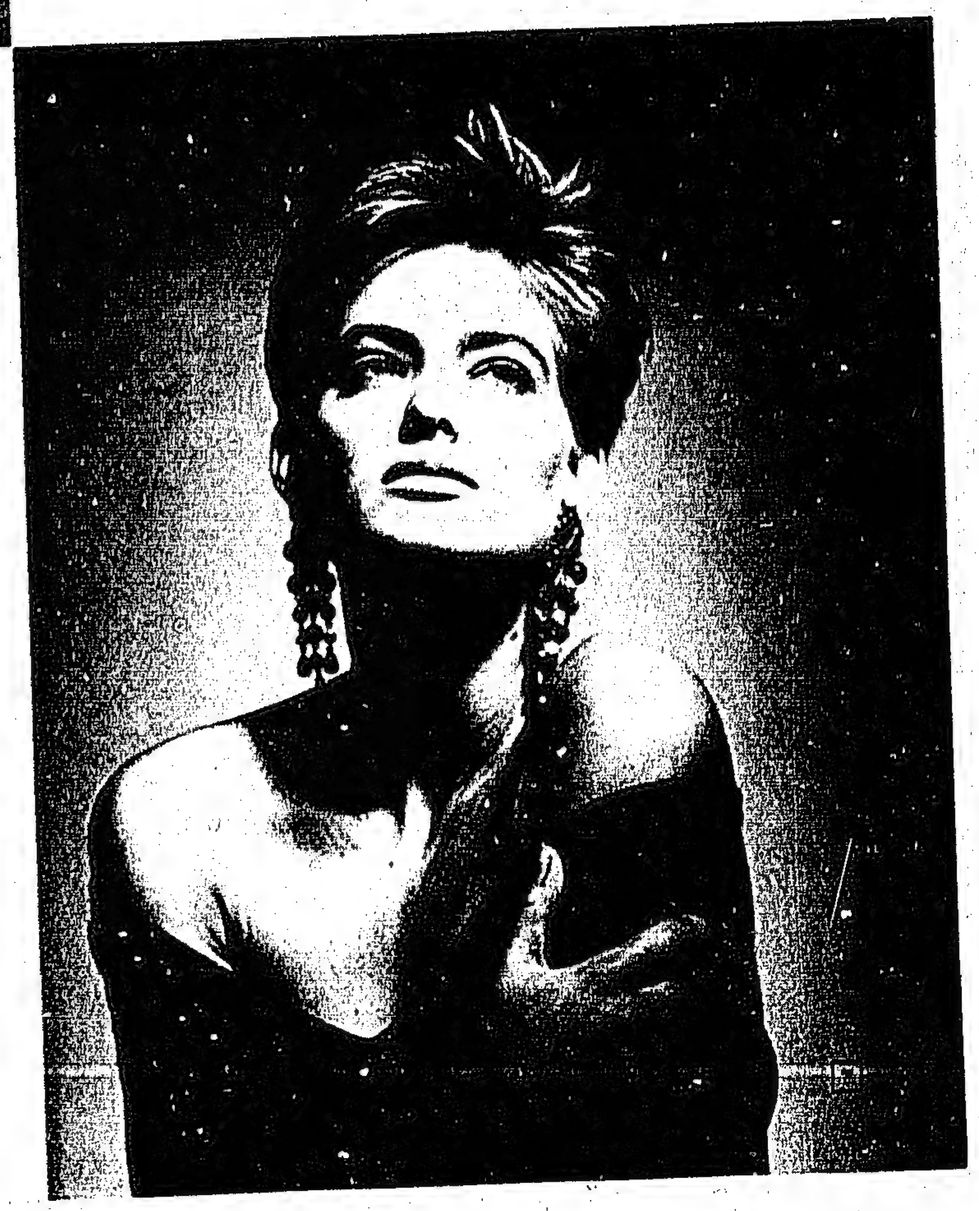
Howard Gross
President

We're getting back to basics—"the business of the business"— with a strong, specialty store point of view. And we're exhilarated by our new focus—the walls are shaking with our associates' energy.

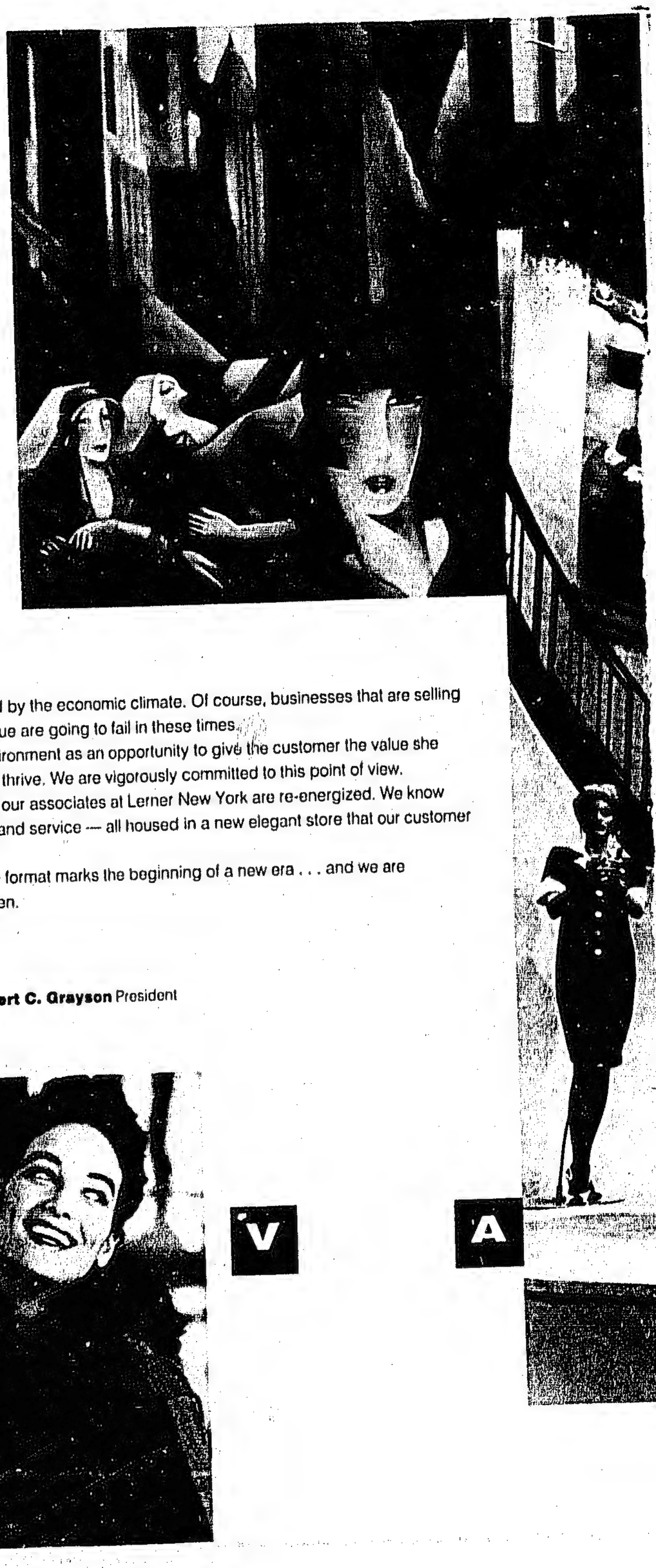
Our sights are fixed on captivating our customer with one brand—The Limited—that satisfies her different moods and diverse clothing needs.

She understands fashion, she knows what she wants, and she's never to be underestimated. That's why we're working so hard and fast to keep up with her by taking international style and giving her affordable, high quality fashion. And we're going to get it to her instantly. We have the leadership, people and skills to achieve her goals and ours.

There's no magic to our approach: We will give her what she wants, when she wants it, at high quality and a price that she can afford. The magic will be in the results.



Lerner
NEW YORK



Excepticnal value isn't threatened by the economic climate. Of course, businesses that are selling products which don't represent true value are going to fail in these times.

But a business that sees this environment as an opportunity to give the customer the value she wants and deserves, at a fair price, will thrive. We are vigorously committed to this point of view.

That's why I strongly believe that our associates at Lerner New York are re-energized. We know that we have the fashion insight, value and service — all housed in a new elegant store that our customer really likes.
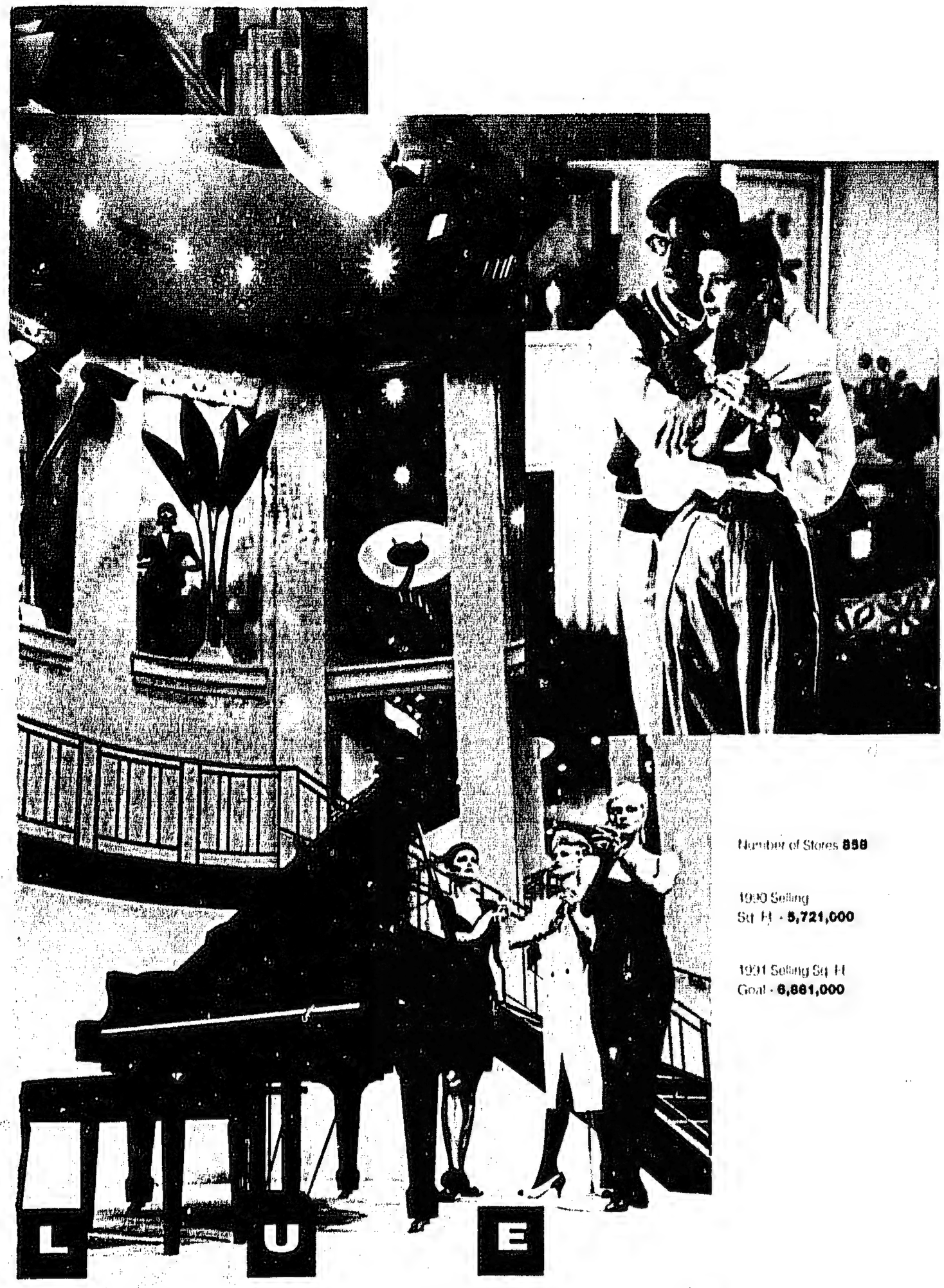
I am confident that our new store format marks the beginning of a new era . . . and we are absolutely determined to make it happen.

Robert C. Grayson President



V

A



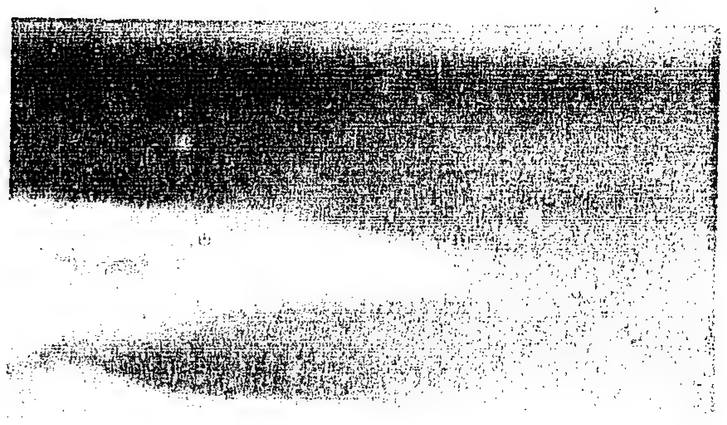
Number of Stores **858**

1990 Selling
Sq Ft - **5,721,000**

1991 Selling Sq Ft
Goal - **6,861,000**

Fashion

LANE BRYANT





For Lane Bryant and the Lane Bryant customer, fashion comes first. Our customer is influenced by the same fashion trends as every other woman in the United States. Size is only a specification of the garment. So we strive to get the fashion right . . . at the right price, and the right quality.

This year we've refocused our stores for our customer. When she walks in, she is now clearly able to read what is important in our store — sportswear, dresses, coats, hosiery and intimate apparel.

In 1990, we moved our headquarters to Columbus, recruited new associates, focused on our customer and made the commitment to all work toward the same goal — serving her. We're going to prove that Les was right when he said, "Lane Bryant is poised to become the most predictable and profitable of our businesses."

Cheryl Nido Turpin
President





fashion



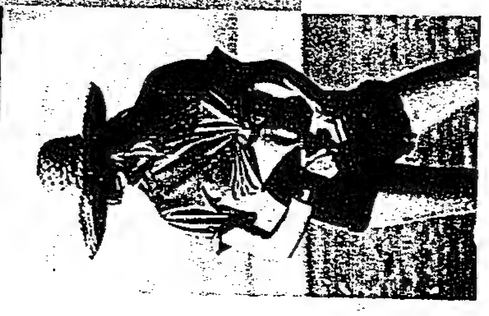
Number of Stores **752**

1990 Selling
Sq. Ft. - **3,295,000**

1991 Selling Sq. Ft.
Goal - **3,585,000**



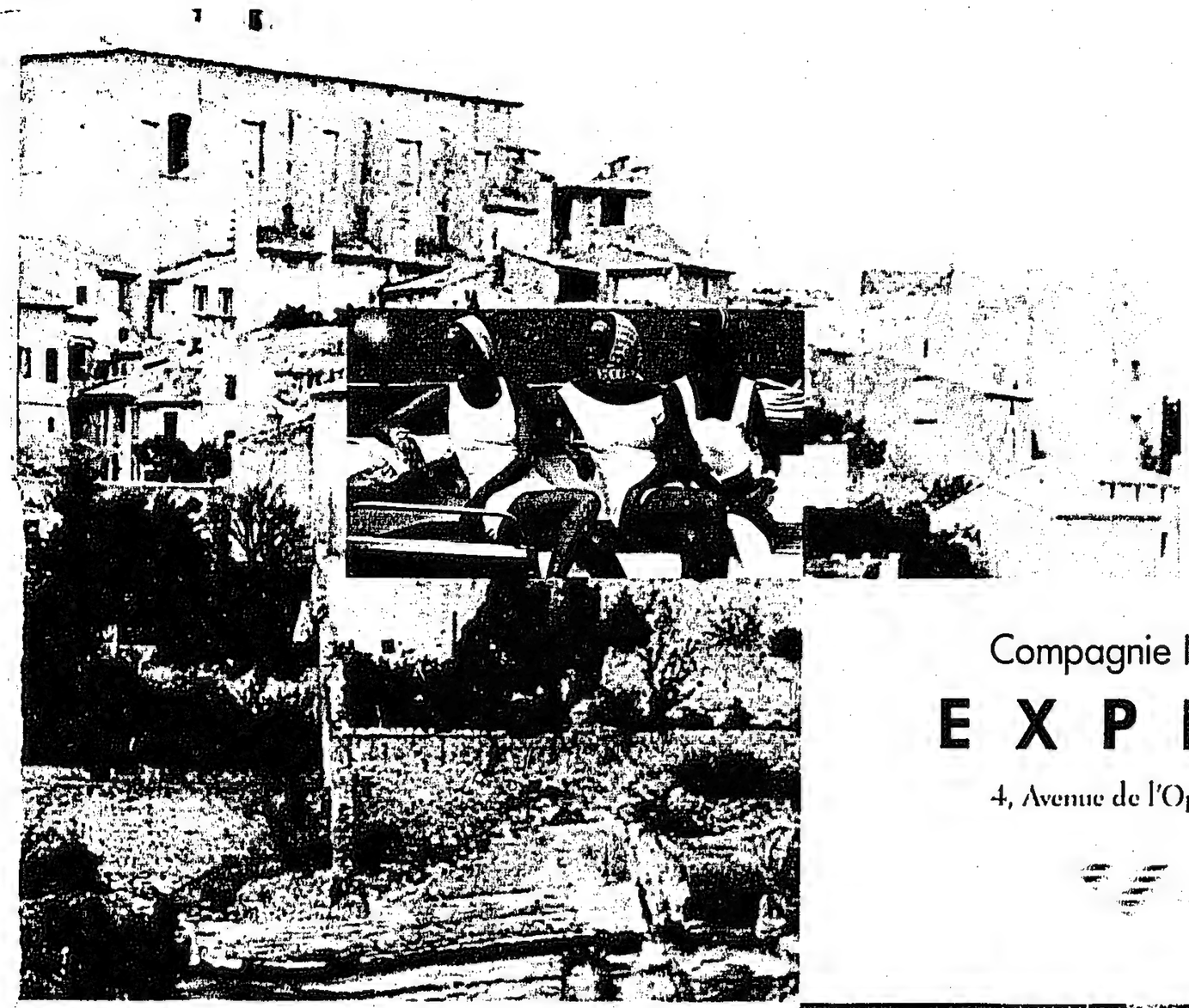
Spirited



549

2,151,000

2,991,000



Compagnie Internationale

EXPRESS

4, Avenue de l'Opéra 75001 PARIS

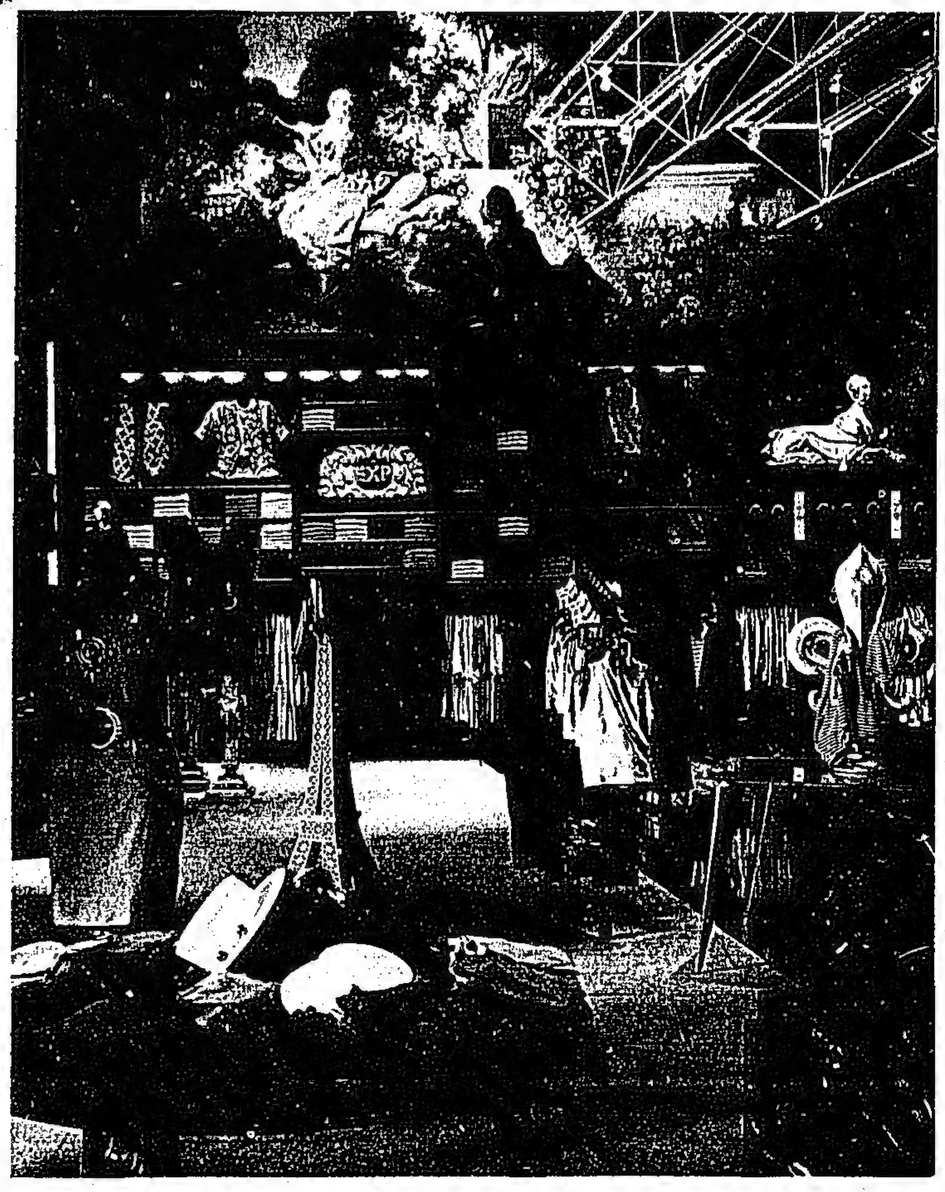
Success in retailing begins with knowing your customer. . . and continues by never disappointing her.

The Express customer is very clear about who she is and what she wants.

She's a woman with energy, spirit and fashion sense. She's an individual, not an age. She defines her own fashion values by taste, not price . . . She knows when the fashion feels right!

When she walks into our store, she's filled with expectation and a sense of adventure about what's new. It's her store and it has to live up to her demands. That's why we constantly experiment—with fashion research, new products, new colors, new silhouettes—to create beautifully executed, simple and elegant solutions to her clothing needs.

Michael A. Weiss
President







VICTORIA'S SECRET

Nº 10 MARGARET STREET · LONDON W1





It's no secret that we've grown dramatically in the last few years. And we did it by listening and responding to our customer.

She is our business. And she has a real sense of adventure about lingerie and the feminine, elegant way it makes her feel. By providing her with the highest quality lingerie, in a vast array of styles and fabrics, we give her a special opportunity to indulge herself.

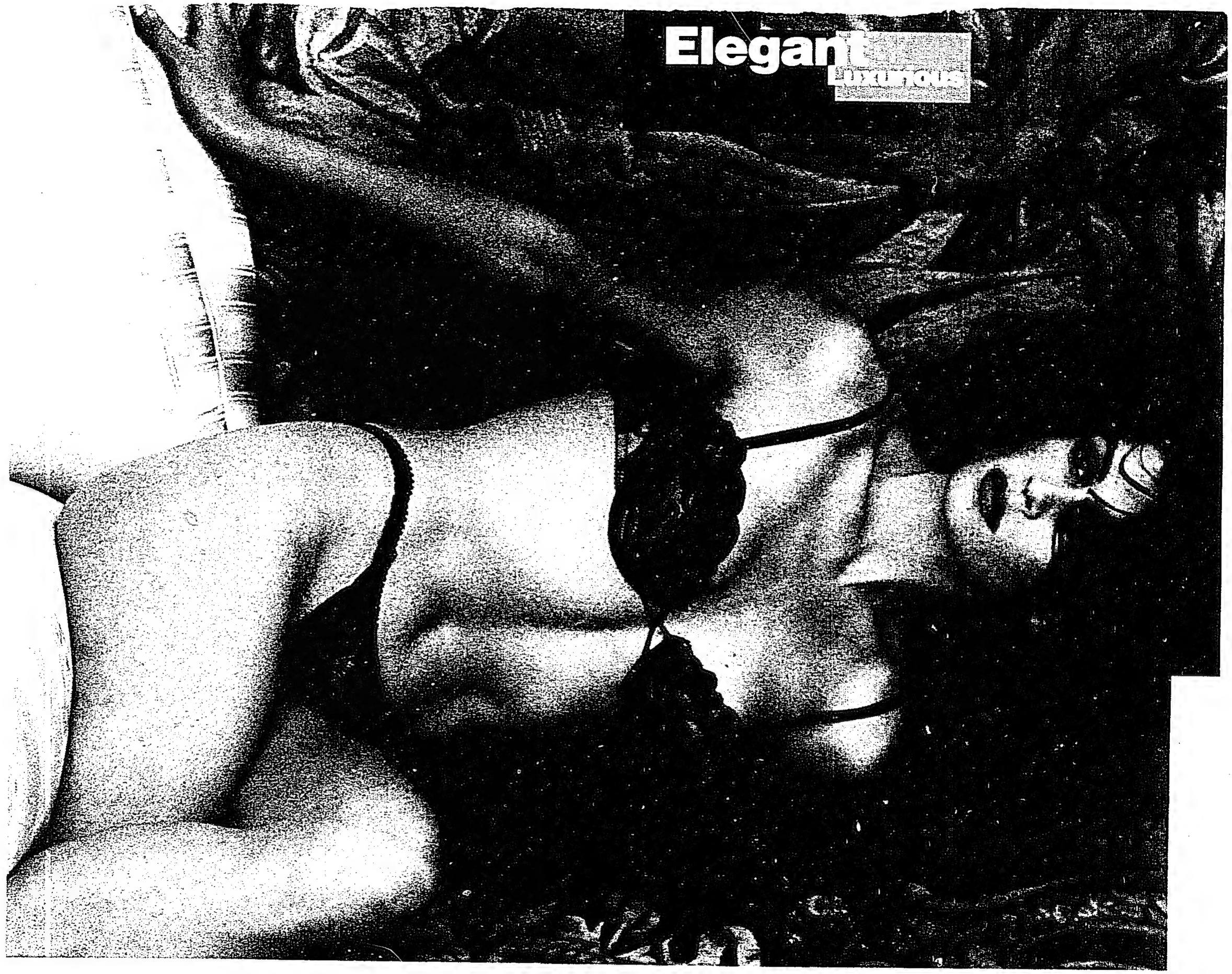
But we're not satisfied. Although we've outperformed our own expectations, every one of our associates is aiming even higher. Our customer wants to treat herself well. And we're going to treat her with the finest affordable extravagances in the world.

Grace Nichols
President

Number of Stores **442**

1990 Selling Sq. Ft. - **1,210,000**

1991 Selling Sq. Ft. Goal - **1,568,000**


Elegant
Luxurious



For the second year in a row, we virtually doubled our business and increased profits as a percent of sales. But we're not resting just because we've grown.

When a business is growing and successful there is always the temptation to say, "We've figured it out." But you can never say that, because the customer is always changing. So we keep trying to figure out new ways to do it better, we keep experimenting and probing and pushing.

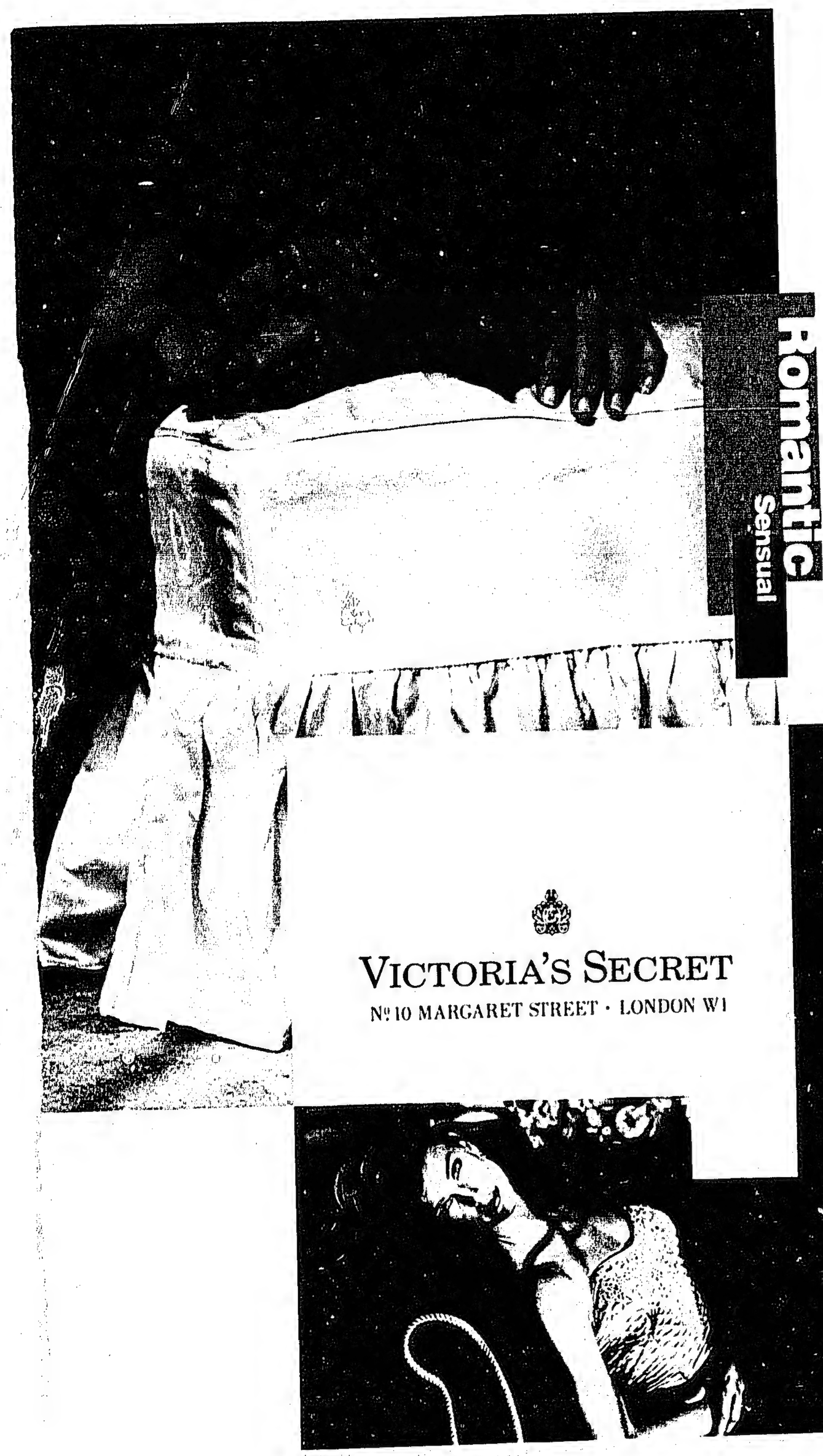
All of Victoria's Secret Catalogue associates — and I mean *everyone* — functions as part of a championship team, taking ideas from inception to execution.

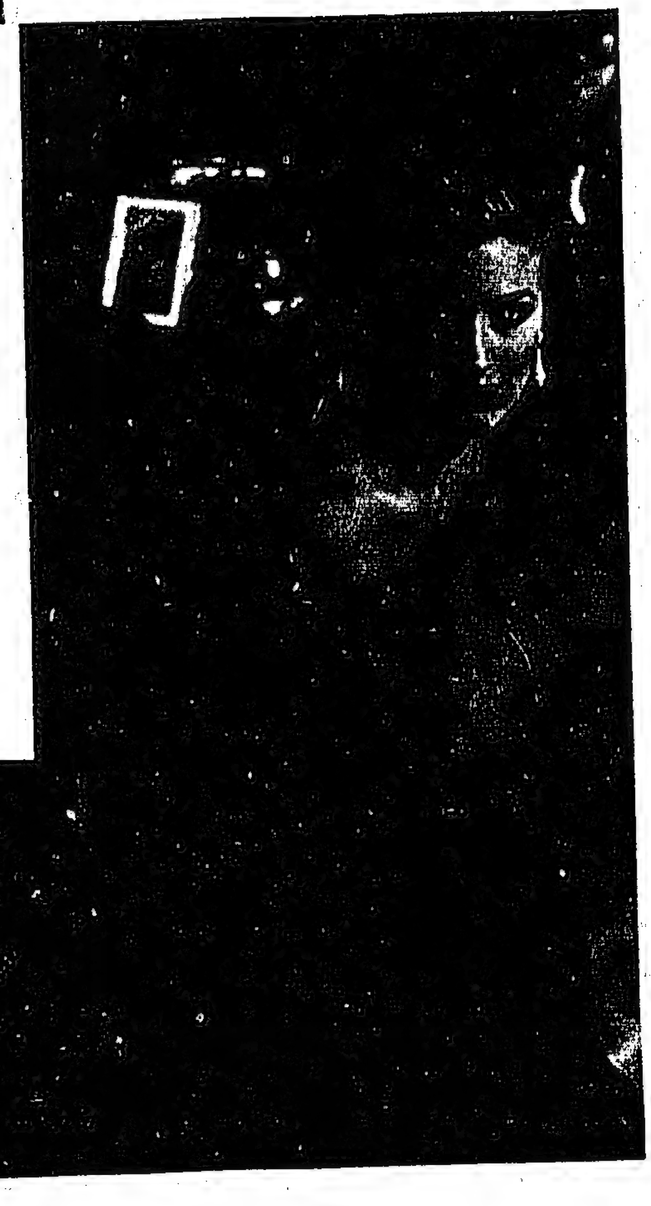
Victoria's Secret Catalogue works because of our associates. Nothing stops them — not moving in the middle of Christmas, not computer conversions, nothing! They are always focused on giving our customer the best. And they do!

Cynthia Fedus
President

Catalogue







VICTORIA'S SECRET

Nº 10 MARGARET STREET · LONDON W1





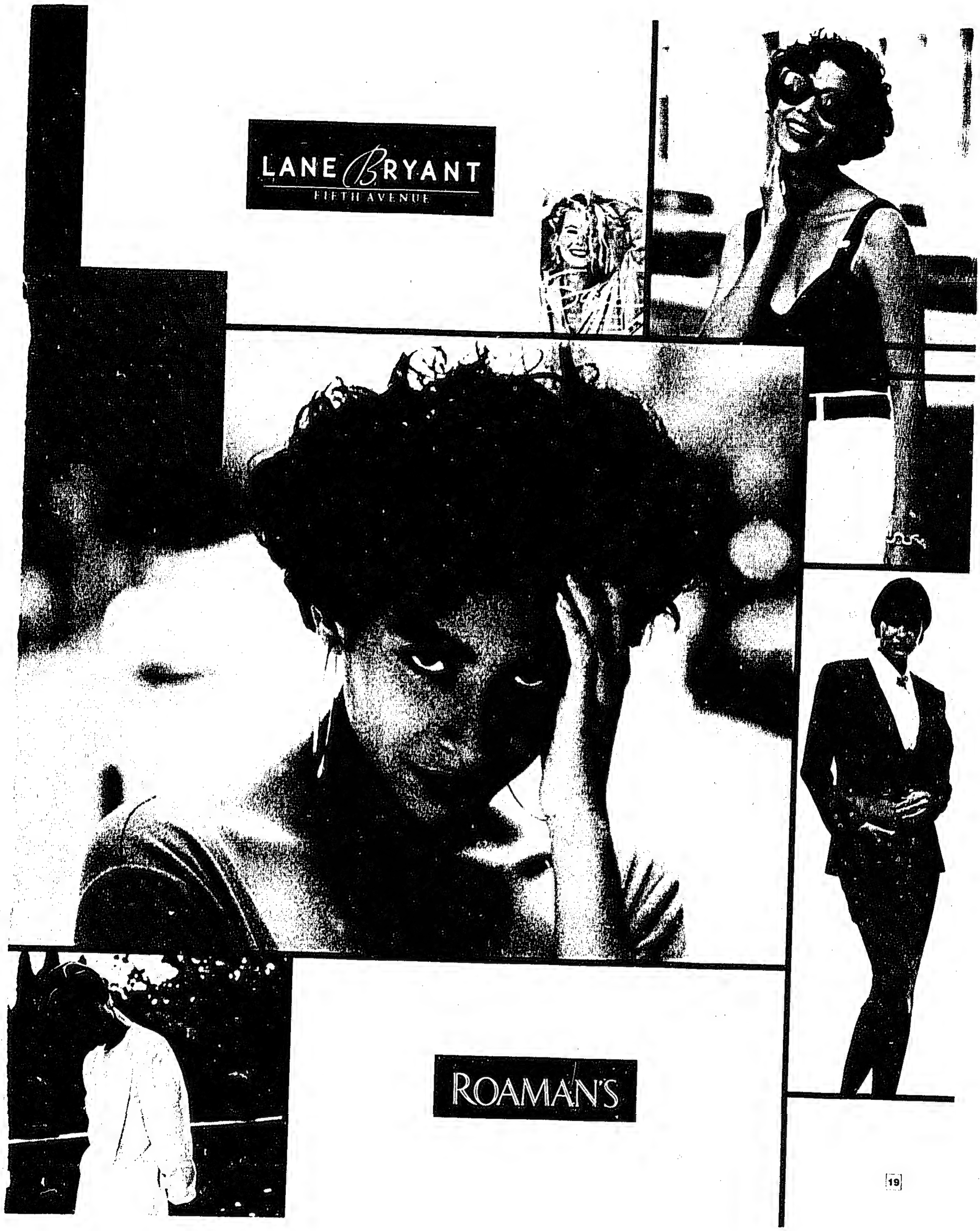
BRYLANE



image

Quality

Lerner
NEW YORK


LANE BRYANT
FIFTH AVENUE
ROAMAN'S

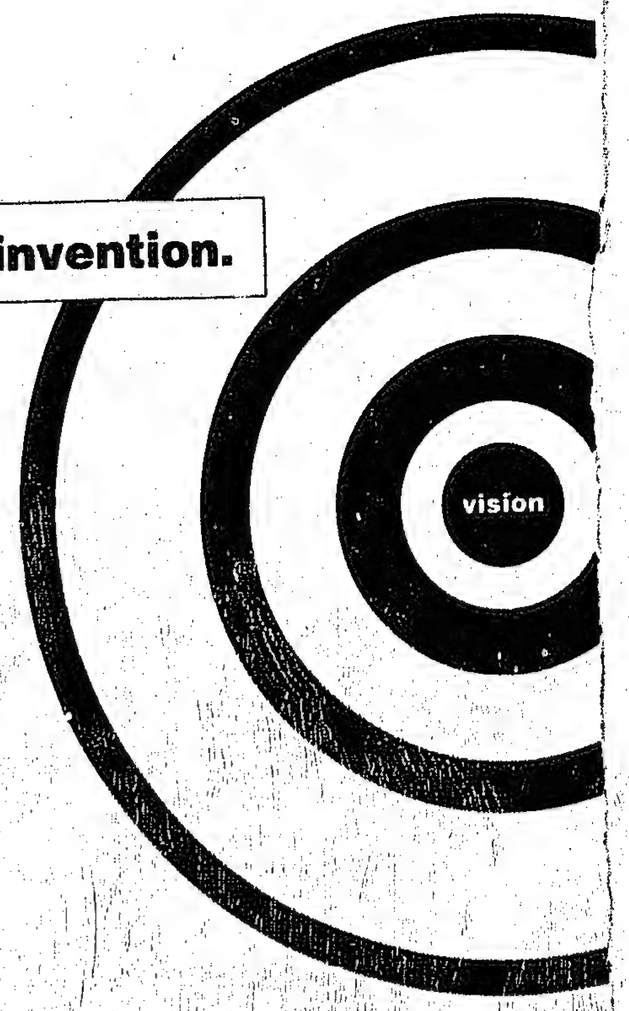
We are aggressive about growth, and

we believe

the best way to grow is by our own invention.

But invention is not the only key to our future — it is also the ability to nurture a business after it has been created. The ability to lead and organize growth — particularly rapid and profitable growth — is a true talent.

We have the talent, we have the determination, we have the resources . . . and we take a long-term point of view. That's why we have chosen to invest our time, energies, leadership and dollars in these new businesses.



Thomas G. Hopkins
Vice Chairman

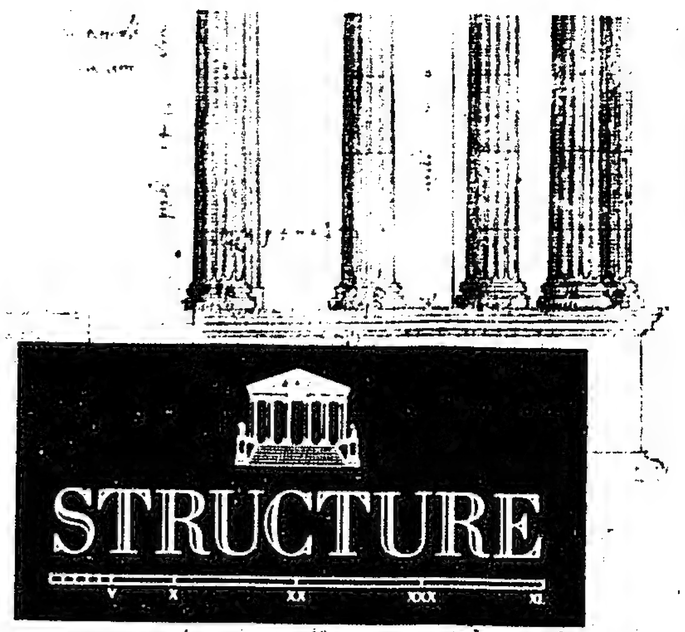
New

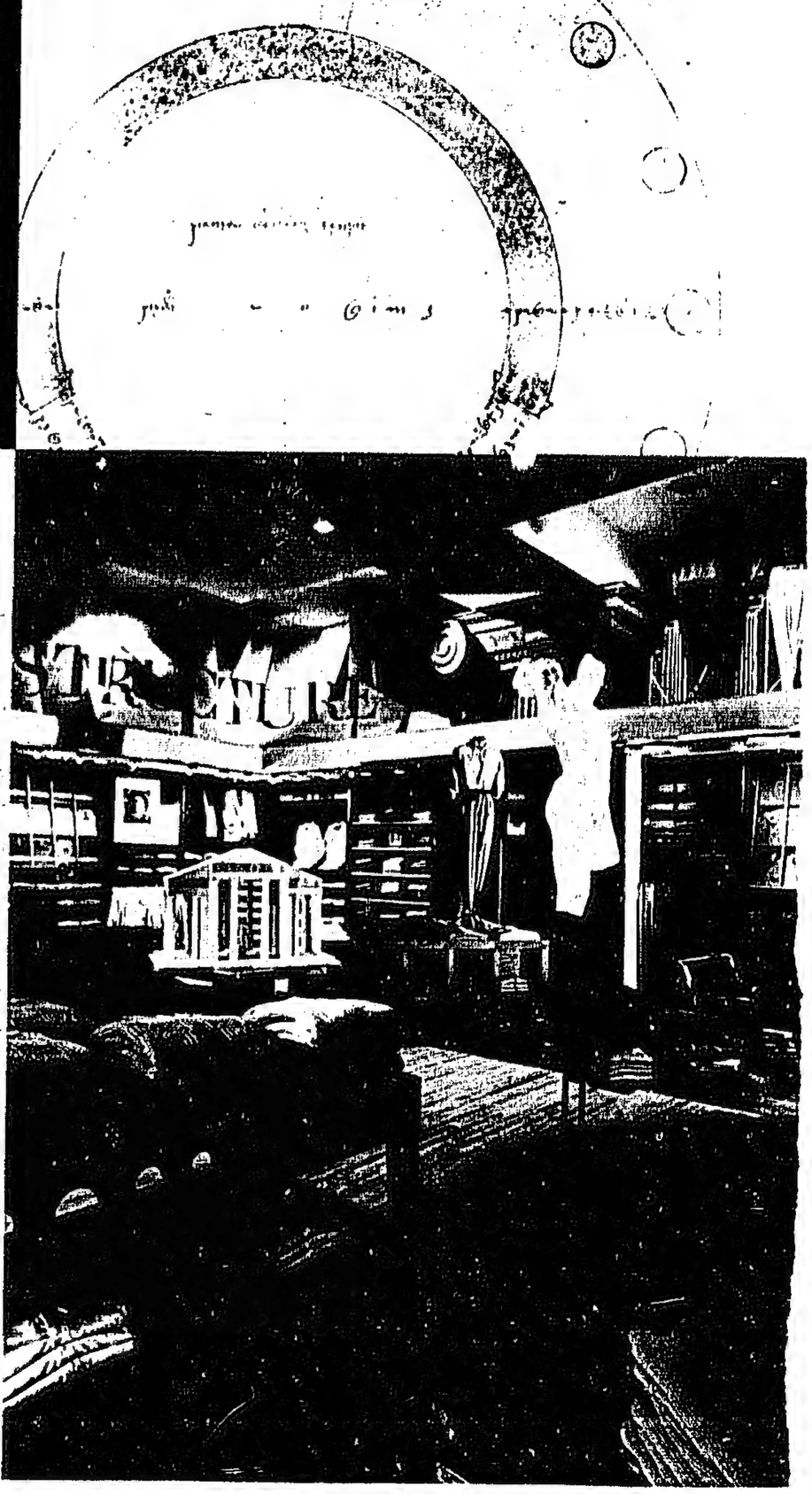
page		1990 Selling Sq. Ft.
	Structure	355,000
	Limited Too	268,000
	Abercrombie & Fitch	192,000
	Bath & Body Works	24,000
	Cacique	115,000
	Victoria's Secret Bath Shops	76,000
	Penhaligon's	3,000
	Henri Bendel	72,000

business

20.21







Imagine a man with a sense of style. He's an individual. He can spot what he wants, and he doesn't want gimmicks. He needs clothes that fit, quality at a good price, consistency and the kind of fashion that allows him to develop his own unique look.

He's the reason we created Structure. We have confidence in him because he has confidence in himself.

Number of Stores **152**

1990 Selling Sq. Ft. - **355,000**

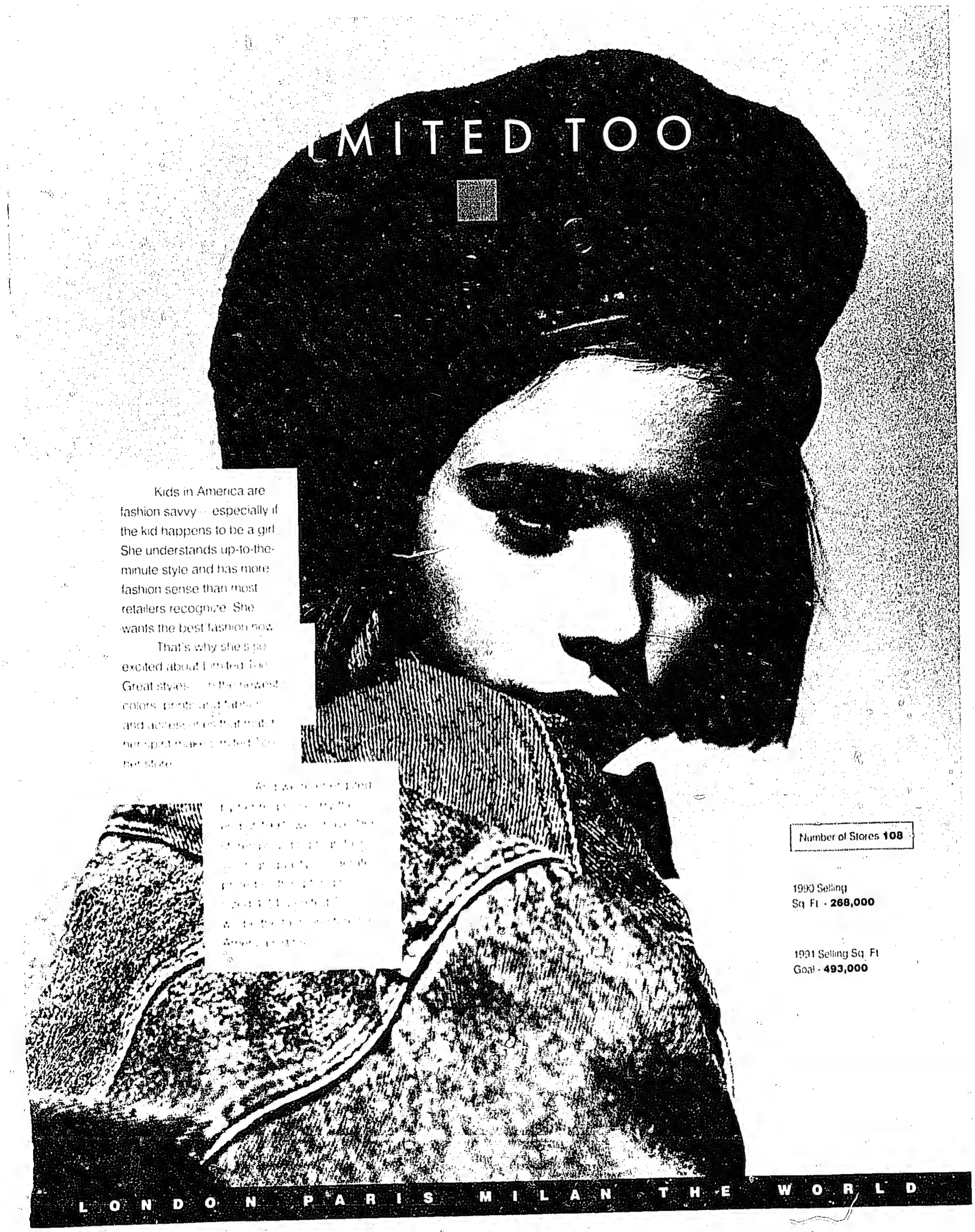
1991 Selling Sq. Ft. Goal - **720,000**

Wearability and sophistication are essential, but he also has the spirit to experiment with fabric, color and style. He brings his personality and his dedication to quality to his choice of clothes.

Our customer is a man with a mind of his own. At last he has a store of his own—Structure.

Individual

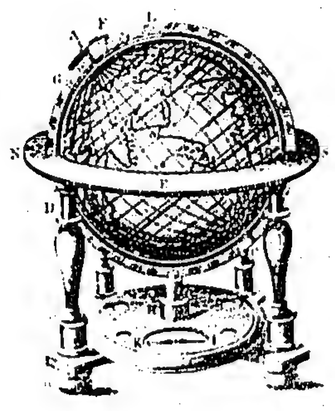
Style

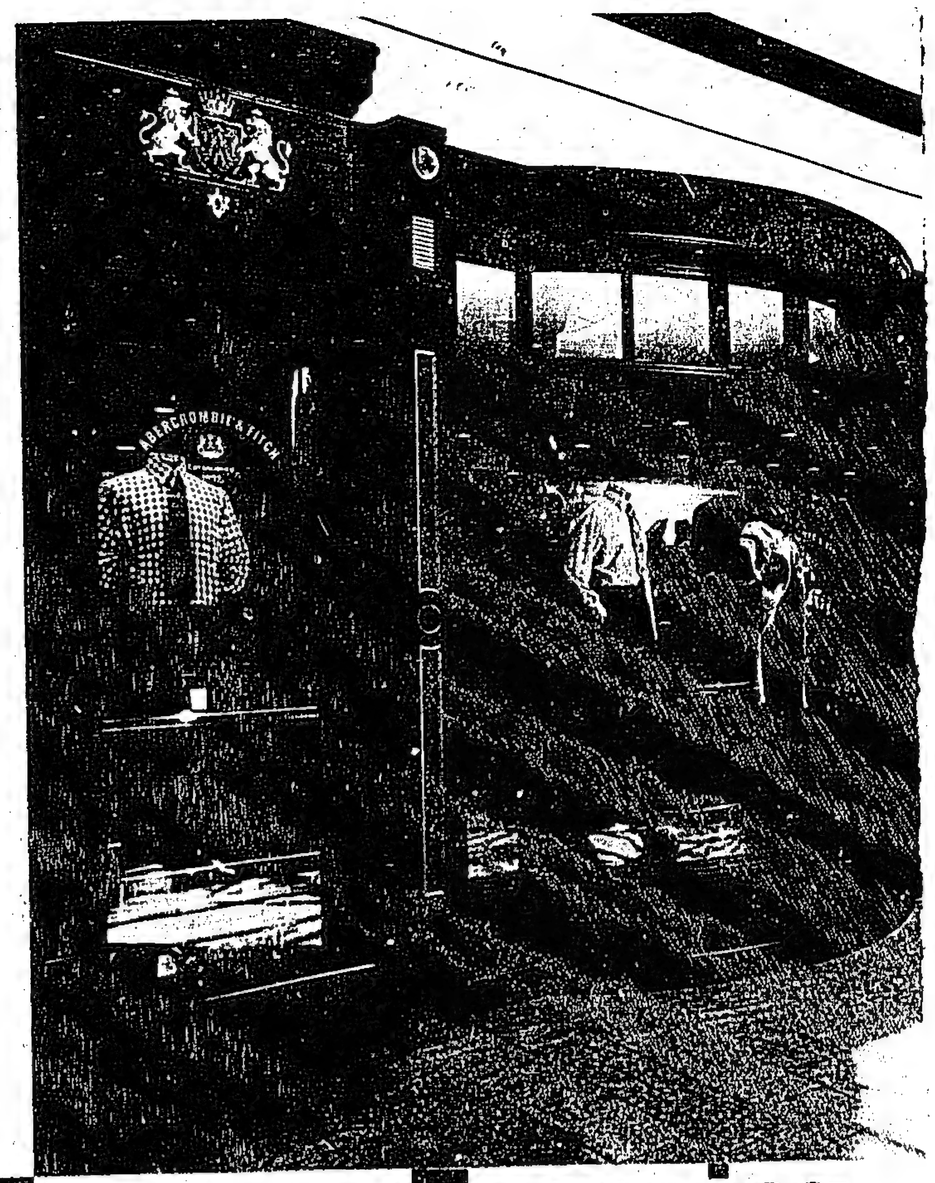

LIMITED TOO
Kids in America are fashion savvy — especially if the kid happens to be a girl. She understands up-to-the-minute style and has more fashion sense than most retailers recognize. She wants the best fashion now.
That's why she's so excited about Limited Too. Great styles in the hottest colors, prints and fabrics and accessories that make her look and feel her best. For Spring.
Number of Stores 108
1990 Selling Sq. Ft. - 268,000
1991 Selling Sq. Ft. Goal - 493,000
LONDON PARIS MILAN THE WORLD

Purveyor of Fine Sportswear
Clothing Tailored in an
Authentically English Manner

ABERCROMBIE & FITCH

Estab. 1892







Engaging Classic

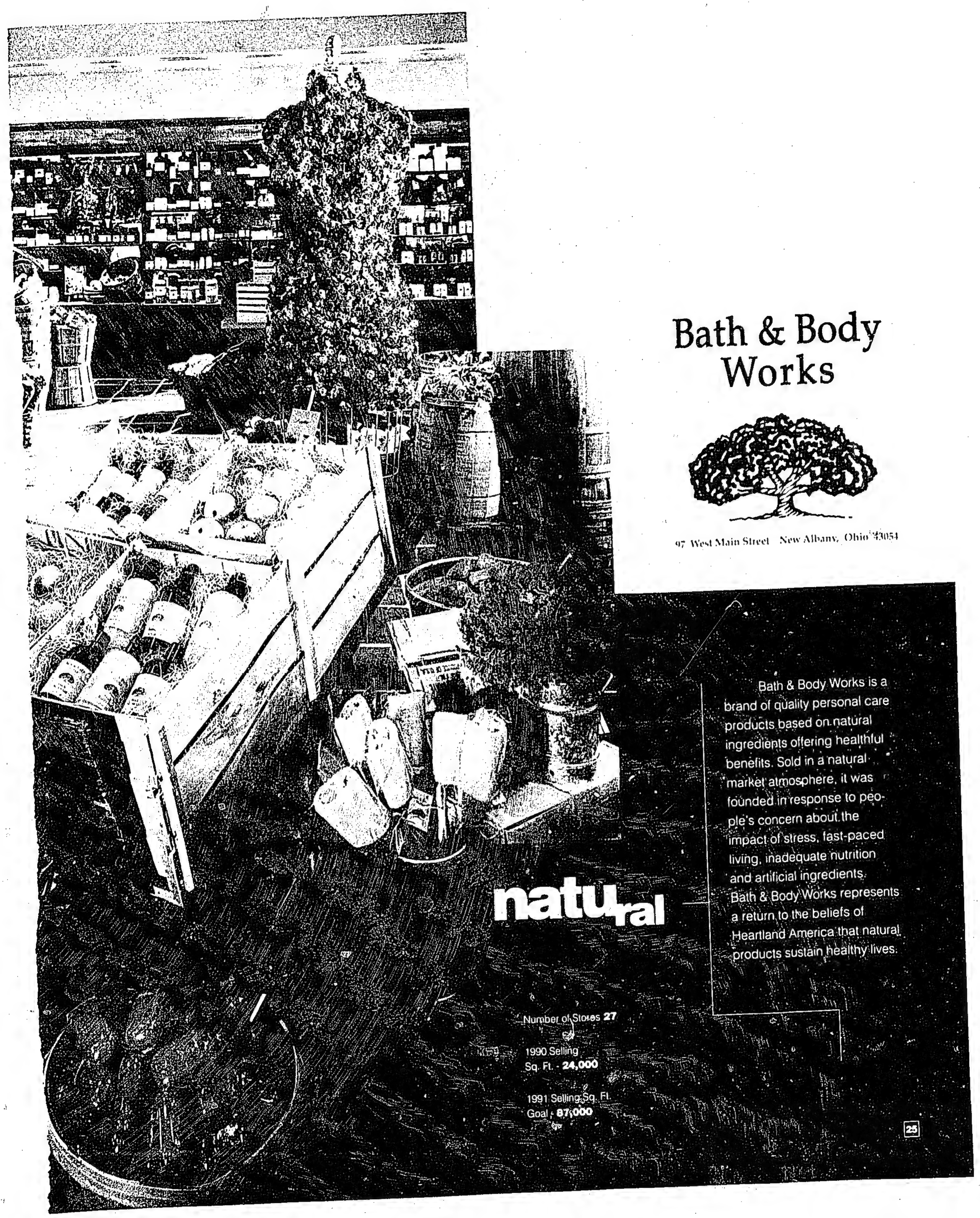
Customers have come to Abercrombie & Fitch for a shopping adventure for almost 100 years. The new Abercrombie & Fitch offers an expedition into an even more engaging realm of style and taste than ever before. . .and consistent with the tradition of quality.

Still reflecting the classic and enduring values of our founders, our new stores provide a sense of excitement, surprise and tradition—the chance to discover the very item, be it fashion, a book or a grooming product, that speaks to the individual's sense of style.

Things of quality endure, especially when they reflect the taste of the imaginative customer with an Anglo-American sense of style. That's why we focus so closely on our customers.

After all, they demand taste, sophistication and quality. . .just like all of us at Abercrombie & Fitch.

Sally Frame Kasaks
President



Bath & Body Works

97 West Main Street New Albany, Ohio 43054

natural

Bath & Body Works is a brand of quality personal care products based on natural ingredients offering healthful benefits. Sold in a natural market atmosphere, it was founded in response to people's concern about the impact of stress, fast-paced living, inadequate nutrition and artificial ingredients. Bath & Body Works represents a return to the beliefs of Heartland America that natural products sustain healthy lives.

Number of Stores **27**

1990 Selling Sq. Ft. - **24,000**

1991 Selling Sq. Ft. Goal - **87,000**


The French know about lingerie and we've taken our inspiration from them. Like the very best shops in Paris, Lingerie Cacique is select and very special. Our lingerie is feminine, sensual and fashioned to fit. Beautifully crafted of the finest fabrics, laces and embroideries, our designs are sophisticated, seductive and affordable.
Lingerie Cacique brings lingerie with a Parisian accent to every sophisticated woman
Parisian accent
Number of Stores 51
1990 Selling Sq. Ft. - 115,000
1991 Selling Sq. Ft. Goal - 123,000
LINGERIE
CACIQUE

VICTORIA'S SECRET

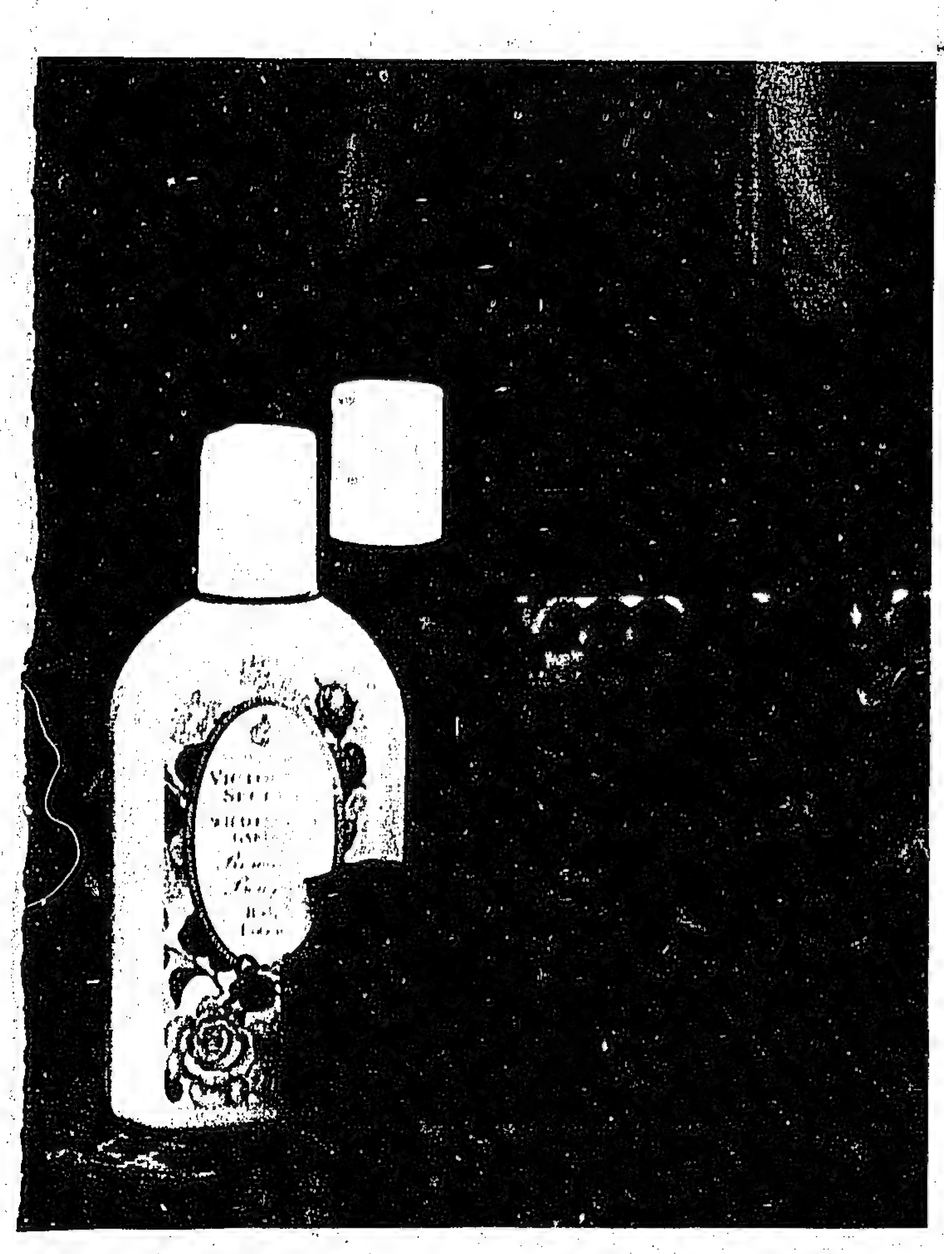
Nº 10 MARGARET STREET · LONDON W1

BATH SHOPS

English women have long cherished fine bath products and luxurious skin care. Victoria's Secret Bath Shops carry on the tradition of fine English toiletries in America.

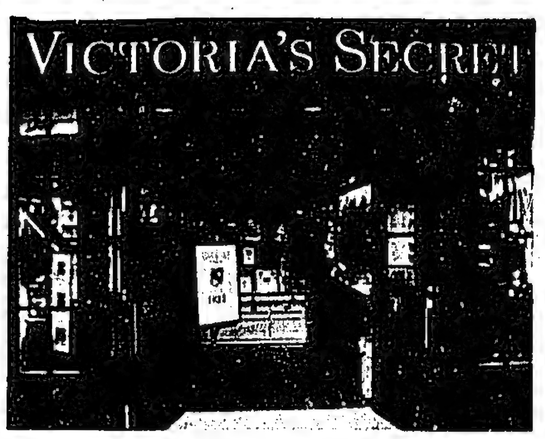
Our quality soaps, talcs, body lotions, shampoos, conditioners, bath gels, and salts are sold in a romantic English ambience that makes shopping a pleasure. Now every American woman can enjoy the wonderful pampering of products made with quality and care in an array of English scents.





indulgent

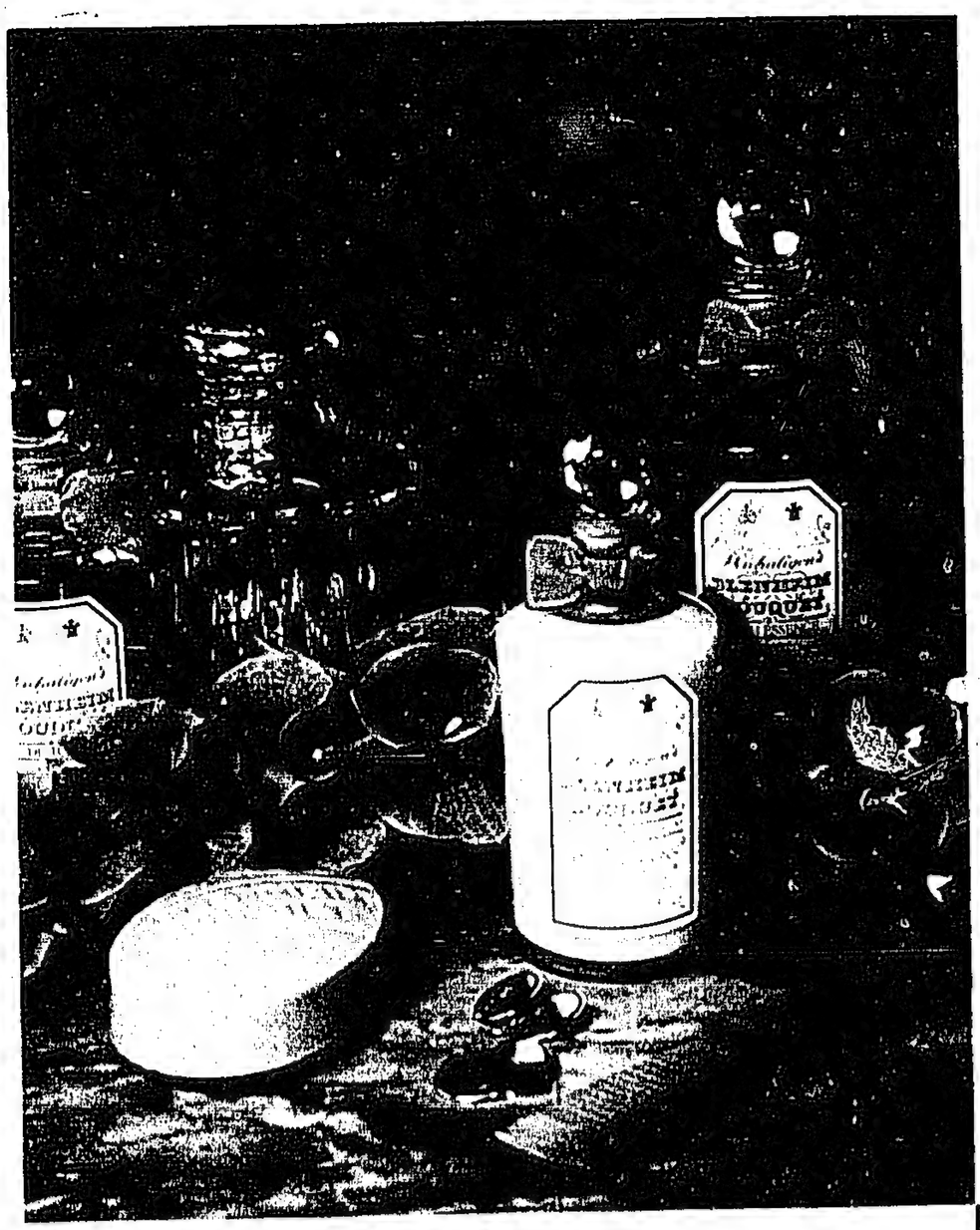
pampered



Number of Stores **109**

1990 Selling
Sq. Ft. - **76,000**

1991 Selling Sq. Ft.
Goal - **148,000**



By appointment to
HRH The Duke of Edinburgh
Manufacturers of Toilet Requisites
Penhaligon's Limited London

By appointment to
HRH The Prince of Wales
Manufacturers of Toilet Requisites
Penhaligon's Limited London

PENHALIGON'S

41 WELLINGTON STREET
COVENT GARDEN
LONDON WC2

Perfumers Established 1870



Number of Stores **7**

1990 Selling Sq. Ft. - **3,000**

timeless

In Queen Victoria's England, Mr. Penhaligon's barber shop was the place to go for fine scents, toilet waters, and pomades. Today, we retain the high standards established by William Henry Penhaligon. We believe Penhaligon's products, sold in seven Penhaligon's shops in England, as well as in selected stores around the world, are still the finest made for discerning ladies and gentlemen.

Whether it be an elegant scent, shaving accessories, or an article of antique or modern silver, every Penhaligon's purchase is a 'very special' purchase.



Intriguing

At Bendel's, we're trying to create "A Lady's Paradise" for our customer. She's delighted by what she discovers and the way she is treated. Already the "new" Bendel store on Fifth Avenue in New York is being called the best specialty store in the world.

Exciting and intriguing fashion is at the heart of our reputation and vision. By seeking out new talent and selecting the best of established designers, we keep our eye on what is fresh and *unique in the world so that* Bendel can be the first to offer it to our customer.

Since June 1990, we've opened four new stores that embrace the legacy of style and personal attention established by Henri Bendel in 1896. We've reinterpreted his vision for today's woman, and there's a new spirit in the business. We want Bendel's to be the best specialty store in the world . . . truly "A Lady's Paradise."

Susan Falk President

Number of Stores **4**

1990 Selling
Sq. Ft. - **72,000**

1991 Selling
Sq. Ft. - **93,000**

page

Mast Industries

Limited Store Planning

Limited Real Estate

Limited Credit Services

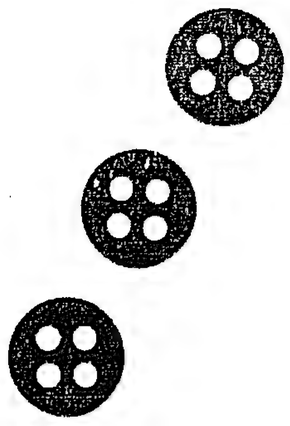
Limited Distribution Services

Support services



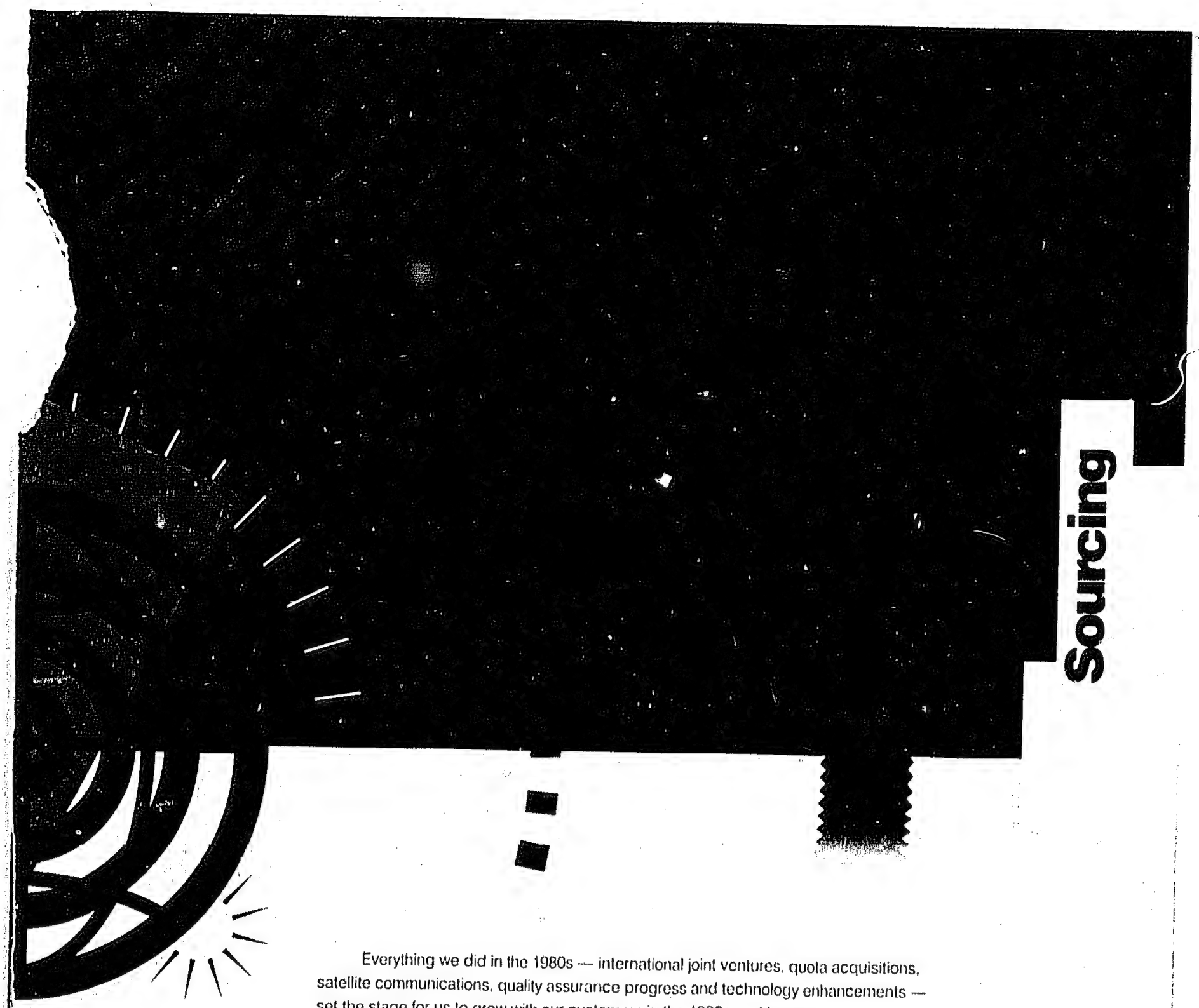
"Retail is detail". . . Our support businesses are the solid base upon which our fashion businesses rest.

By meticulously executing millions of details, our sourcing, credit, store planning, real estate, distribution, treasury, and financial associates make quality possible.



Mast
Industries





Everything we did in the 1980s — international joint ventures, quota acquisitions, satellite communications, quality assurance progress and technology enhancements — set the stage for us to grow with our customers in the 1990s and beyond.

Each customer has individual needs, so we function as a group of small companies, each dedicated to a customer but united by global communications and worldwide quality standards.

By staying close to the businesses, we arrange to position fabrics, yarns, production capacity, transportation and all the necessary components to ensure that fashion product is delivered fast, at the right price and without compromise to quality.

Today, the financial strength of the business and the ability of our merchants enable us to take advantage of opportunities in every aspect of apparel production. We believe that in the 1990s we can make substantial strides not only in the areas of product sourcing, but also in building our organization.

We keep the business focused, we try to keep it simple and we keep it fast. And we have more than a strategic plan — we have the ability to implement.

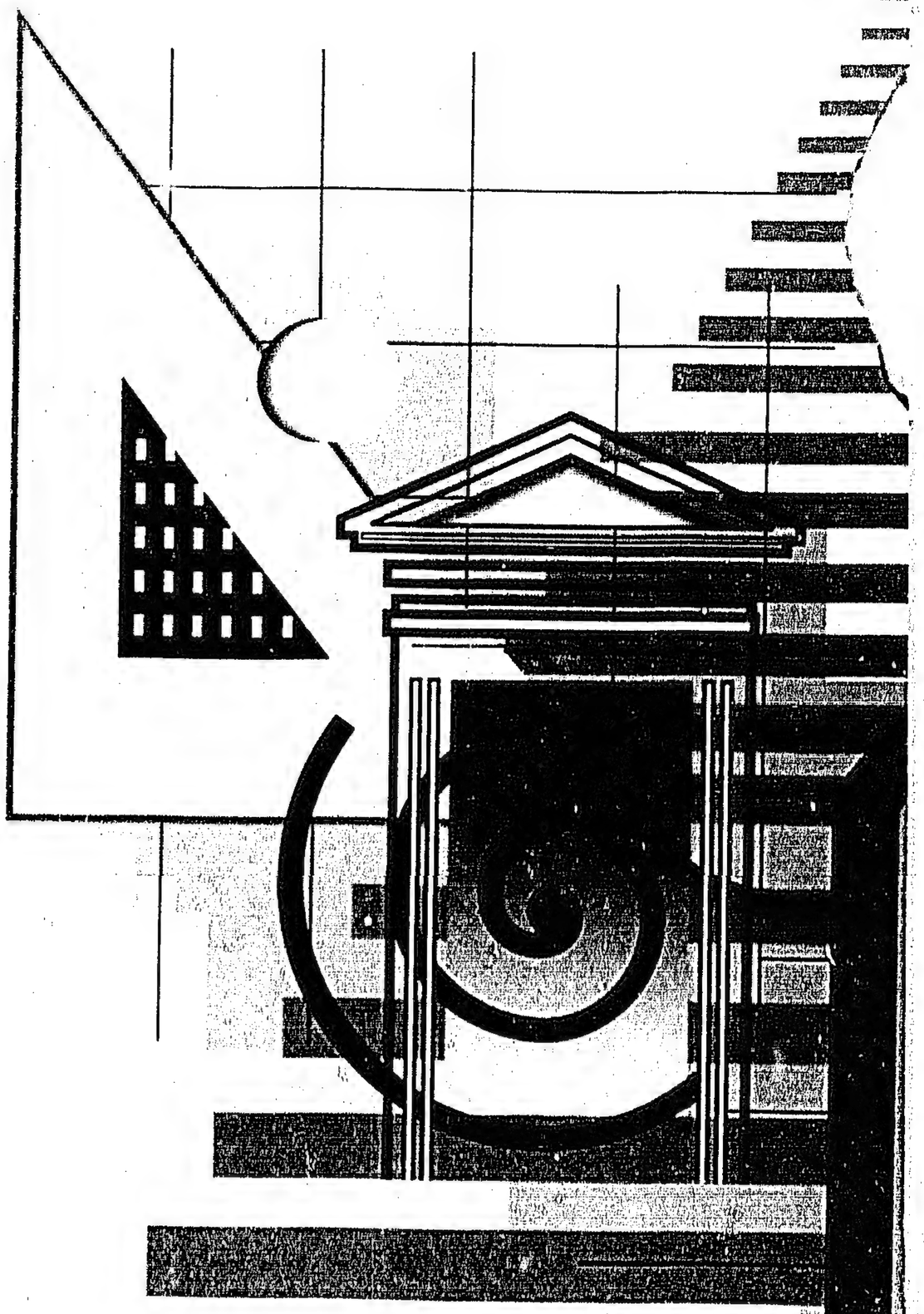
Martin Trust President

Our real challenge is to achieve the right balance between the store and the merchandise. The environment can't distract from the merchandise, but a ho-hum store doesn't create the atmosphere our customers want.

We believe our customers definitely have an eye for quality, real materials and design, as well as the wit and sophistication to appreciate grand design and architecture. They are demanding and so are we.

By staying in touch with the customers, the merchandise and our merchants, we design, redesign, reassess and learn. And everything we've learned by listening and testing will be put into the approximately 850 store projects scheduled for 1991.

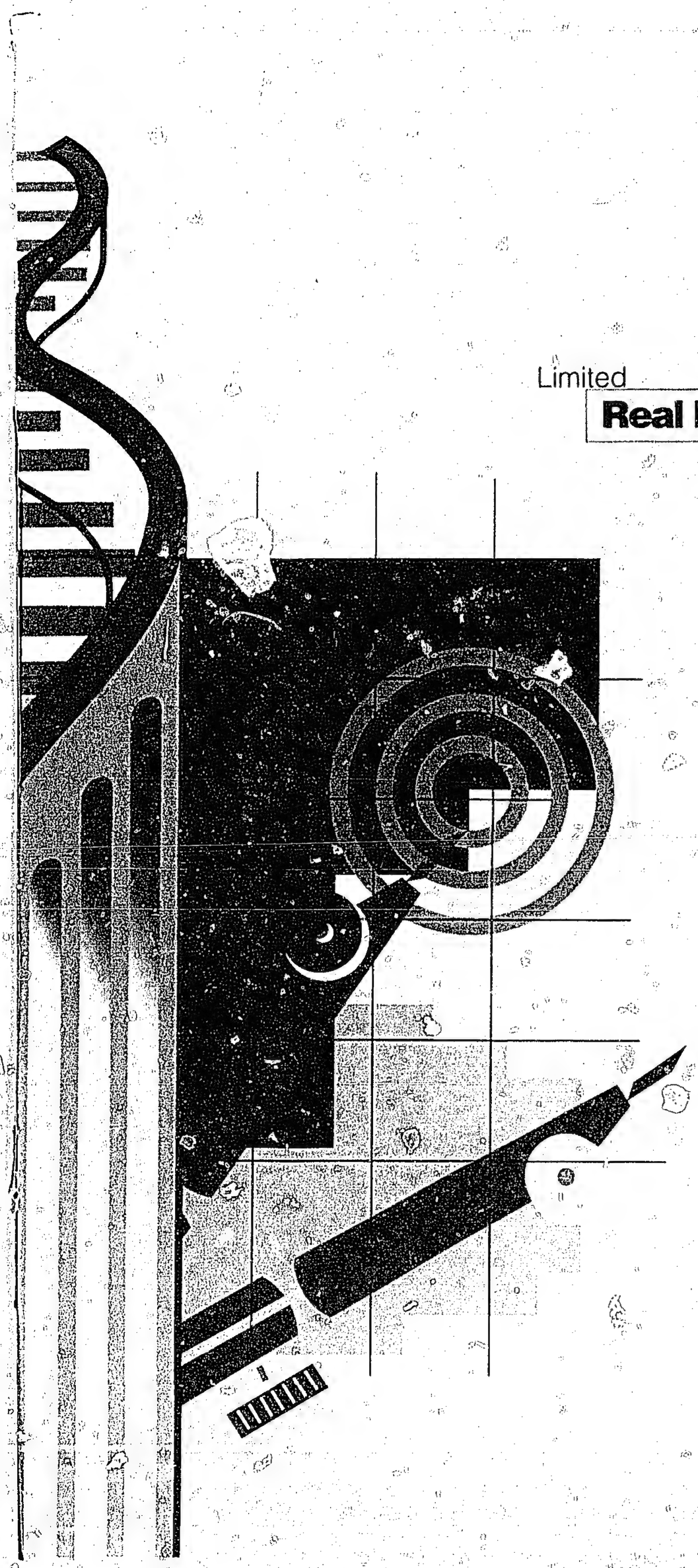
Charles W. Hinson
President



Limited

Store Planning

Quality Design



Limited

Real Estate

Standard

During 1991, we will build, in both new and remodeled stores, more than 6 million gross square feet — the equivalent of six major regional shopping centers.

We believe our larger, more exciting store formats and our plans for future expansion are catalysts for revitalizing stereotypical malls into the best shopping experiences for our customers now and into the next decade.

Our mission is very clear: to apply our leadership and skills towards making new developments and redevelopments happen, without compromising our standards of quality of location and price.

John De Wolf
Buck Sappenfield



Enhancing relationships

Many retailers think of credit simply as a payment device. We believe that credit services can be an important way of enhancing our relationship with the customer.

That's why we're creating new ways to create satisfied customers by:

- helping The Limited's retail businesses communicate with their customers;
- dealing with our customers' requests personally and completely;
- learning how to get smarter and faster in our credit granting, and
- organizing ourselves by each retail division within our business, thereby keeping ourselves focused and small.

We're here to support The Limited's great merchants and to sell merchandise.

Ralph E. Spurgin President



Limited

Distribution Services

As The Limited's businesses grow, we have to keep up with them by designing new facilities, engineering efficient handling systems and creating better transportation plans for each division.

We support the divisions by moving fashion efficiently and quickly. And we shop the world for the best proven technology to ensure that our facilities are designed for speed, accuracy and reliability.

Our distribution and transportation systems provide a clear competitive advantage for our businesses. We get fashion merchandise into the stores fast — and by being the first ones in the stores with the latest fashion merchandise, we have an advantage at retail.

C. Lee Johnson President

Competitive Advantage

Financial

We achieved significant sales and earnings growth in 1990, achieving a record 7.6% return on sales, certainly among the highest in the retail industry. But that's not where it ends because even great merchants and great operators can't continue to profitably grow without financial strength. We believe The Limited, Inc., has the necessary financial strength and stability to continue its unimpeded growth.



Strength

We expect to fund 1991 capital expenditures largely out of operating cash flow, with little change, if any, in long-term debt.

We believe this preserves our financial flexibility and allows us to expand, while less financially secure retailers are forced to retrench.

Virtually all of our long-term debt is used to support charge card receivables generated by the credit sales of our retail businesses, leaving the operating businesses essentially debt free at year-end.

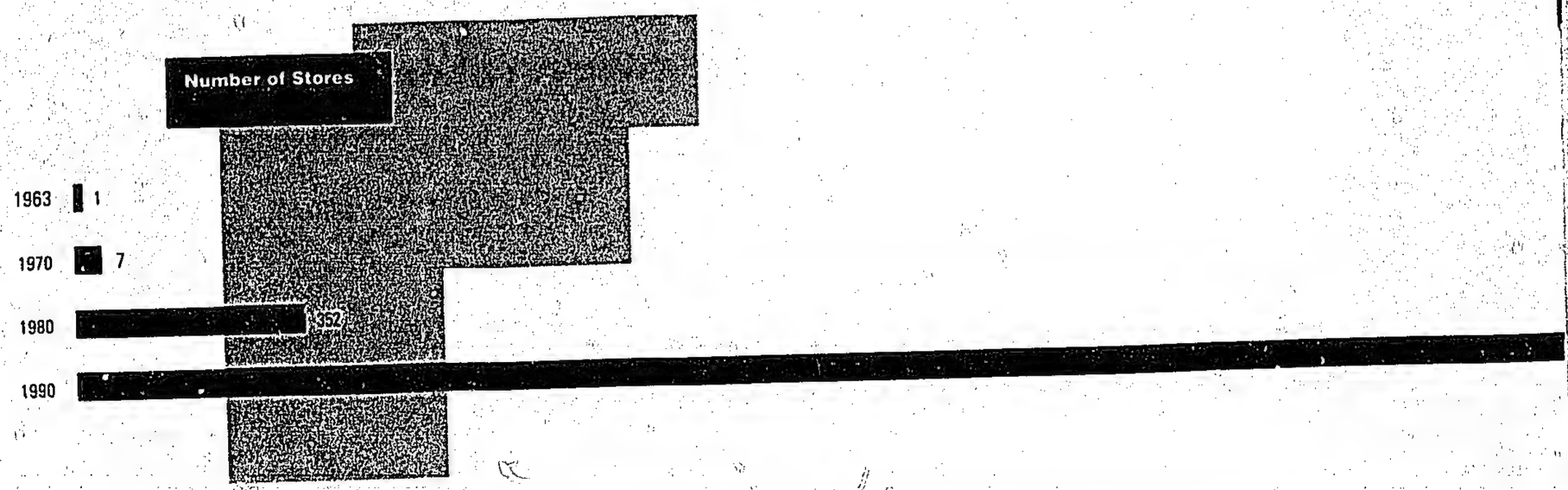
Our proven financial strength remains one of our key strategic weapons in today's competitive retail environment.

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

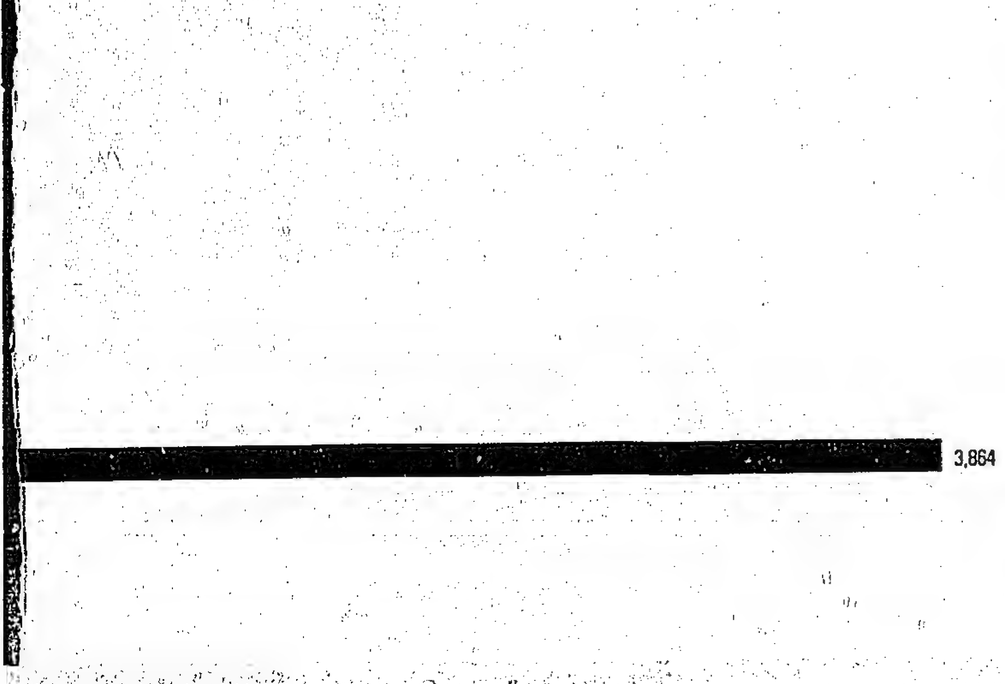
Financial Summary

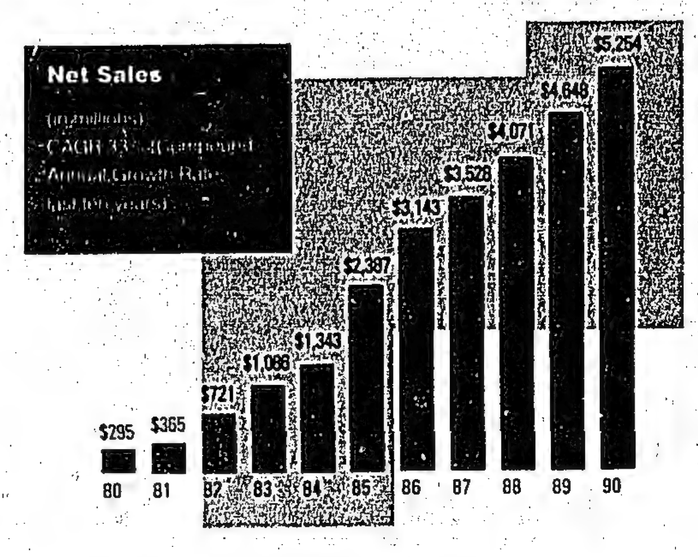
Fiscal Year	1990†	1989 * ††	1988 †	1987
Summary of Operations (thousands except ratios)				
Net Sales	**$ 5,253,509**	$ 4,647,916	$ 4,070,777	$ 3,527,941
Gross Income	**1,630,439**	1,446,635	1,214,703	992,775
Operating Income	**697,537**	625,254	467,418	408,872
Income Before Income Taxes	**653,438**	573,926	396,136	378,188
Net Income	**$ 398,438**	$ 346,926	$ 245,136	$ 235,188
Net Income as a Percentage of Sales	**7.6%**	7.5%	6.0%	6.7%
Per Share Results (thousands except per share amounts)☆				
Net Income	**$ 1.10**	$ .96	$ .68	$ .62
Dividends	**$ .24**	$ .16	$ .12	$ .12
Book Value	**$ 4.33**	$ 3.45	$ 2.64	$ 2.04
Weighted Average Shares Outstanding	**362,044**	361,288	360,186	376,626
Other Financial Information (thousands except ratios)				
Total Assets	**$ 2,871,878**	$ 2,418,486	$ 2,145,506	$ 1,929,477
Working Capital	**$ 884,004**	$ 685,524	$ 567,639	$ 629,783
Current Ratio	**2.8**	2.4	2.2	2.9
Long-Term Debt	**$ 540,446**	$ 445,674	$ 517,952	$ 681,000
Debt-to-Equity Ratio	**35%**	36%	55%	93%
Shareholders' Equity	**$ 1,560,052**	$ 1,240,454	$ 946,207	$ 729,171
Return on Average Shareholders' Equity	**28%**	32%	29%	31%
Stores and Associates at End of Year				
Total Number of Stores Open	**3,864**	3,382	3,497	3,115
Selling Square Feet	**17,008,000**	14,374,000	14,296,000	12,795,000
Number of Associates	**72,500**	63,000	56,700	50,200

☆ Restated to reflect June 8, 1990 two-for-one stock split..
* Fifty-three week fiscal year.
† Includes the results of companies acquired subsequent to the date of acquisition.
†† Includes the results of companies disposed of up to the disposition date.



1986	1985 †	1984 *	1983	1982 †	1981	1980
$ 3,142,696	$ 2,387,110	$ 1,343,134	$1,085,890	$ 721,394	$ 364,900	$ 295,016
961,827	718,843	404,321	327,616	209,374	109,246	81,919
438,229	276,212	173,102	135,377	70,943	38,386	23,191
394,780	239,317	157,495	134,939	60,592	38,486	20,817
$ 227,780	$ 145,317	$ 92,495	$ 70,939	$ 33,592	$ 22,386	$ 13,142
7.2%	6.1%	6.9%	6.5%	4.7%	6.1%	4.5%
$ .60	$ .40	$ .26	$ .20	$ .10	$ .07	$ .04
$ .08	$ .05	$ .04	$ .02	$ .01	$ .007	$ .005
$ 2.07	$ 1.13	$ .77	$ .54	$ .35	$ .25	$ .19
376,860	365,638	361,262	360,372	351,012	333,042	326,136
$ 1,726,544	$ 1,494,313	$ 657,242	$ 425,240	$ 367,979	$ 142,658	$ 116,551
$ 586,827	$ 419,706	$ 180,960	$ 101,665	$ 82,305	$ 23,728	$ 18,756
2.7	2.2	2.0	1.8	1.8	1.7	1.7
$ 417,420	$ 670,744	$ 150,139	$ 68,763	$ 121,411	$ 16,571	$ 23,765
53%	166%	55%	36%	99%	20%	40%
$ 781,542	$ 404,075	$ 275,403	$ 192,576	$ 122,578	$ 83,150	$ 60,093
38%	43%	40%	45%	33%	31%	25%
2,682	2,353	1,412	937	825	430	352
11,320,000	10,460,000	5,166,000	3,667,000	3,257,000	1,491,000	1,232,000
43,200	33,600	17,700	15,300	13,500	5,900	5,000



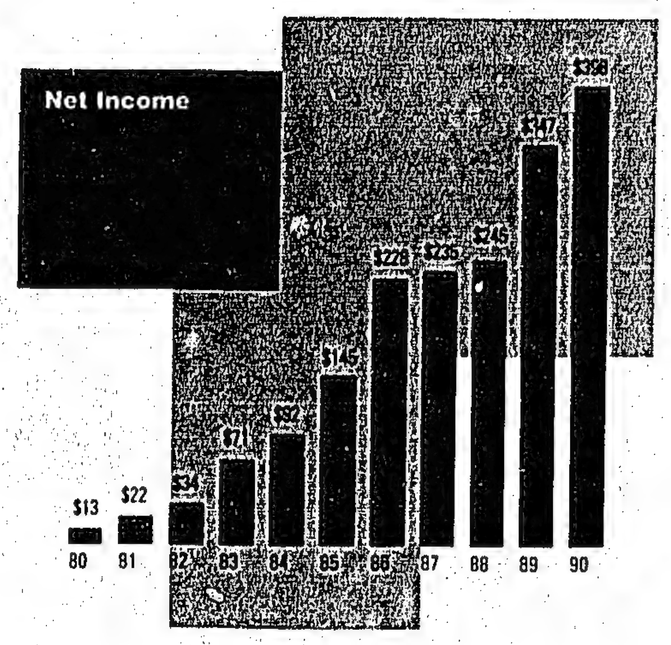


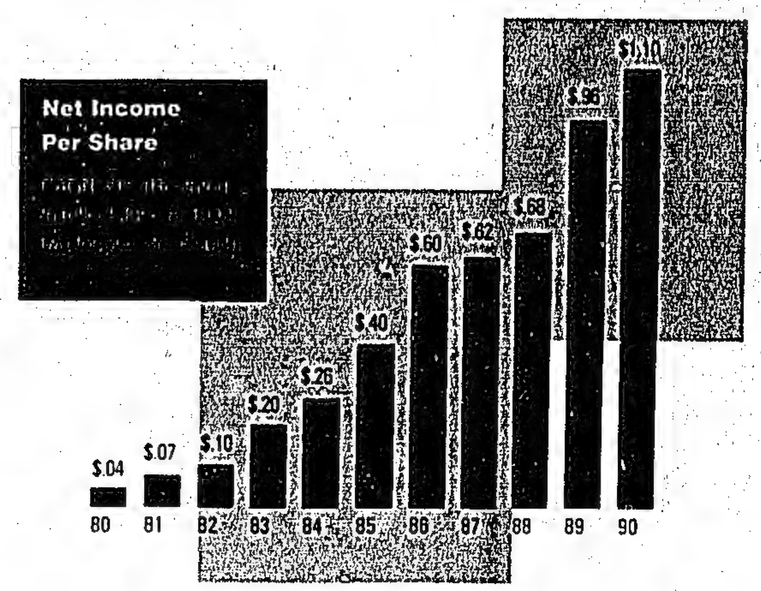
Consolidated Statements of Income

(thousands except per share amounts)

	1990	1989	1988
Net Sales	**$5,253,509**	$4,647,916	$4,070,777
Costs of Goods Sold, Occupancy and Buying Costs	**3,623,070**	3,201,281	2,856,074
Gross Income	**1,630,439**	1,446,635	1,214,703
General, Administrative and Store Operating Expenses	**932,902**	821,381	747,285
Operating Income	**697,537**	625,254	467,418
Interest Expense	**(56,609)**	(58,059)	(63,418)
Other Income (Expense), net	**12,510**	6,731	(7,864)
Income Before Income Taxes	**653,438**	573,926	396,136
Provision for Income Taxes	**255,000**	227,000	151,000
Net Income	**$ 398,438**	$ 346,926	$ 245,136
Net Income Per Share	**$ 1.10**	$ .96	$ .68

The accompanying Notes are an integral part of these Consolidated Financial Statements.





Management's Discussion and Analysis

Results of Operations

During 1990, the Company achieved record sales volume of $5.25 billion and a 7.6% return on sales. Fourth quarter net income of $172.2 million was also a record at 9.9% of sales, despite what was considered a lackluster Christmas selling period and a general softening in the economy. The results for 1990 were impacted by the addition of 2.6 million selling square feet, representing an 18% increase over year-end 1989, as the Company continues to pursue significant expansion opportunities.

Financial Summary

The following summarized financial data compares 1990 to the comparable periods for 1989 and 1988:

	% of Net Sales			% Change	
Fiscal Year	**1990**	1989	1988	1990-89	1989-88
Net sales	**100.0%**	100.0%	100.0%	13%	14%
Gross income	**31.0%**	31.1%	29.8%	13%	19%
General, administrative and store operating expenses	**17.8%**	17.7%	18.4%	14%	10%
Interest expense	**1.1%**	1.2%	1.6%	(2%)	(8%)
Net income	**7.6%**	7.5%	6.0%	15%	42%

	% of Net Sales			% Change	
Fourth Quarter	**1990**	1989	1988	1990-89	1989-88
Net sales	**100.0%**	100.0%	100.0%	10%	17%
Gross income	**32.9%**	32.9%	32.7%	10%	17%
General, administrative and store operating expenses	**16.0%**	15.9%	16.3%	11%	14%
Interest expense	**.9%**	.9%	1.2%	12%	(14%)
Net income	**9.9%**	9.7%	8.9%	12%	27%

Acquisition and Disposition

The Company acquired Penhaligon's from Laura Ashley Holdings p.l.c. effective July 2, 1990 for approximately $11 million. Penhaligon's, a British company, designs, distributes, wholesales and retails a variety of perfumes, toiletries, grooming accessories and antique silver gifts.

The statements of income and cash flows for the year ended February 3, 1990 include the results of Lerner Woman up to the effective disposition date, April 30, 1989. The Company sold its Lerner Woman division to United Retail Group, Inc., a new corporation owned equally by Lerner Woman's management, Centre Capital Investors L. P. and The Limited, Inc. The Company received cash and debt securities approximating the net book value of the Lerner Woman assets.

Net Sales

The 13% increase in 1990 sales over 1989 resulted from additional sales provided by 482 stores opened in 1990, comprising 2.634 million selling square feet, and a 3% increase in comparable store sales. 1989 sales increased 14% over 1988 due to additional sales from 269 stores added during 1989, which comprised 1.468 million selling square feet and a 9% increase in comparable store sales. Had 1989 and 1988 results excluded Lerner Woman, the annual sales increase for 1990 and 1989 would have been 14% and 19%.

The 10% increase in fourth quarter 1990 sales resulted from additional sales volume generated by 482 stores added in 1990 which was slightly offset by a 1% decline in comparable store sales. The 17% increase in fourth quarter 1989 sales reflected a 7% increase in comparable store sales, and sales from the 269 stores added during 1989. Had fourth quarter 1988 excluded the results of Lerner Woman, fourth quarter 1989 sales would have increased 22%.

Gross Income

The gross income rate for 1990 declined slightly from 1989 as higher initial markups (IMU) were offset by a slight increase in the markdown rate and higher buying and occupancy costs from new and expanded stores.

Gross income improved in 1989 versus 1988, due to higher IMU, and the positive leveraging of buying and occupancy costs, due to increased sales volume. Markdowns were only slightly higher in 1989 than 1988 despite a highly promotional fourth quarter environment.

The fourth quarter 1990 gross income rate was flat when compared to 1989, as higher IMU was offset by higher buying and occupancy costs.

Fourth quarter 1989 gross income improved by .2% of sales over 1988. Slightly higher markdowns were more than offset by a lower rate, as a percent of sales, of buying and occupancy costs.

General, Administrative and Store Operating Expenses

General, administrative and store operating expenses, expressed as a percentage of sales, increased slightly during 1990, including the fourth quarter, as the rates of increase in selling payroll associated with new and expanded stores, and advertising costs, including national advertising at the Company's Express, Victoria's Secret and Henri Bendel divisions, increased at a greater rate than sales.

General, administrative and store operating expenses, expressed as a percentage of net sales, declined during fiscal 1989 as compared to 1988 due to significant sales volume increases offsetting an increase in these expenses on a per store basis. Selling payroll costs associated with newer stores and continued enhancement of customer service contributed to the increase in these expenses on a per store basis.

General, administrative and store operating expenses declined, as a percentage of sales, in the fourth quarter of 1989 from 1988, due to improved per store sales productivity and increased efficiencies in credit operations.

Interest Expense

Interest expense for 1990 declined by $1.5 million from 1989 as savings from lower interest rates were partially offset by higher average borrowing levels in the second half of the year.

Interest expense increased during fourth quarter 1990 over 1989 as higher average borrowings more than offset the impact of lower interest rates.

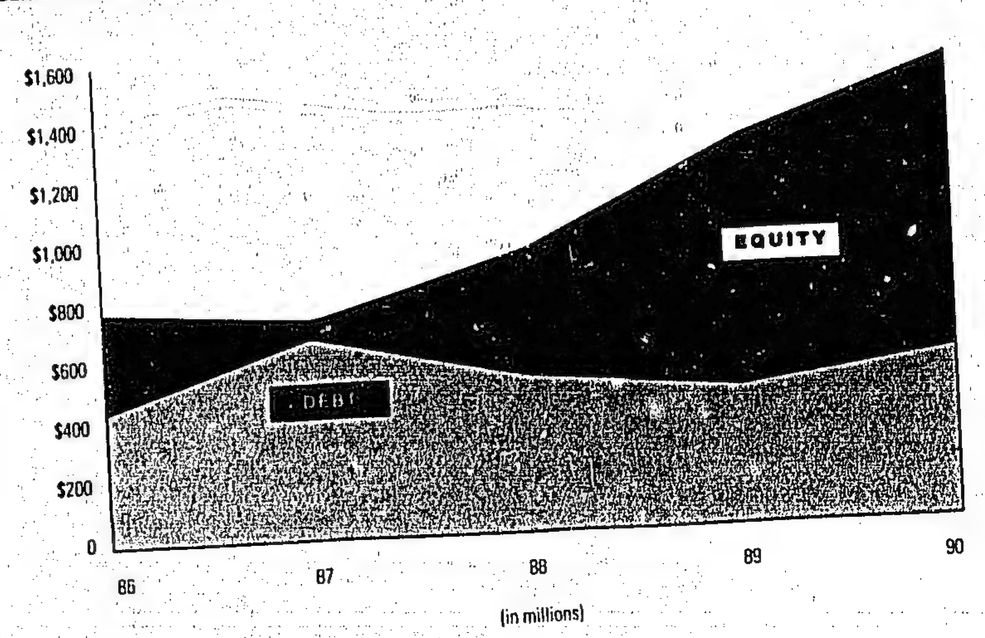
Interest expense declined in the fourth quarter and for all of 1989 as compared to the comparable periods in 1988, due to lower average borrowings partially offset by higher average interest rates.

Consolidated Balance Sheets

(thousands)

	Feb. 2, 1991	Feb. 3, 1990
Assets		
Current Assets		
Cash and Equivalents	$ 13,180	$ 21,734
Accounts Receivable	670,296	596,171
Inventories	585,166	482,136
Other	96,319	63,703
Total Current Assets	1,364,961	1,163,744
Property and Equipment, net	1,395,073	1,172,688
Other Assets	111,844	82,054
Total Assets	$2,871,878	$2,418,486
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	$ 200,078	$ 175,319
Accrued Expenses	256,153	239,921
Income Taxes	24,726	62,980
Total Current Liabilities	480,957	478,220
Long-Term Debt	540,446	445,674
Deferred Income Taxes	254,304	214,858
Other Long-Term Liabilities	36,119	39,280
Shareholders' Equity		
Common Stock	189,727	94,863
Paid-in Capital	99,237	196,232
Retained Earnings	1,480,866	1,168,842
	1,769,830	1,459,937
Less Treasury Stock, at cost	(209,778)	(219,483)
Total Shareholders' Equity	1,560,052	1,240,454
Total Liabilities and Shareholders' Equity	$2,871,878	$2,418,486

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Management's Discussion and Analysis

Financial Condition

The Company's balance sheet at February 2, 1991 provides evidence of financial strength and stability. The finance subsidiary, World Financial Network National Bank, added $49 million of credit card receivables during 1990 while inventory increased $102 million (an increase of 2% per selling square foot) principally as a result of new and expanded stores. These events coupled with a $110 million increase in capital expenditures over 1989, resulted in a $95 million increase in long-term debt. Despite the increase in debt, the Company's debt-to-equity ratio dropped to 35% and the credit card portfolio exceeded total long-term debt by 13%, which essentially means that the Company had no debt at the operating company level at February 2, 1991. A more detailed discussion of liquidity, capital resources and capital requirements follows:

Liquidity and Capital Resources

Cash provided from operating activities, commercial paper backed by funds available under a committed long-term credit agreement and the Company's capital structure continue to provide the resources to support projected growth including seasonal operating requirements and capital expenditures. A summary of the Company's working capital position and capitalization follows (000's):

	1990	1989	1988
Working capital	$ 884,004	$ 685,524	$ 567,639
Capitalization:			
Long-term debt	$ 540,446	$ 445,674	$ 517,952
Deferred income taxes	254,304	214,858	198,893
Shareholders' equity	1,560,052	1,240,454	946,207
Total capitalization	$2,354,802	$1,900,986	$1,663,052
Additional amounts available under committed long-term credit agreements	$ 760,000	$ 604,000	$ 882,000

The Company considers the following to be several measures of liquidity and capital resources:

	1990	1989	1988
Debt-to-equity ratio (long-term debt divided by shareholders' equity)	35%	36%	55%
Debt-to-capitalization ratio (long-term debt divided by total capitalization)	23%	23%	31%
Interest coverage ratio (income before interest expense, depreciation, amortization and taxes divided by interest expense)	15.8	13.7	9.5
Cash flow to capital investment (net cash provided from operating activities divided by additions to property and equipment)	99%	127%	171%

Net cash provided from operating activities totalling $424.5 million, $404.2 million and $492.9 million for 1990, 1989 and 1988, continues to serve as the Company's primary source of liquidity. Net earnings and depreciation and amortization for 1990 provided $71.2 million of additional cash flow over 1989. This increase was offset by an increase in credit card receivables and higher income tax payments, plus an inventory increase of $101.8 million, principally as a result of new and expanded stores added during 1990. However, retail store inventories were up only 2% on a per foot basis.

Net earnings plus depreciation and amortization for 1989 generated $124 million of additional cash flow over 1988. However, this increase was more than offset by an increase in credit card receivables and the increase in inventory required to support the addition of 1.5 million selling square feet and the 9% increase in comparable store sales.

At February 2, 1991, the Company had $760 million available under a $900 million long-term credit agreement. In addition, $150 million can be offered for subscription under an original $300 million shelf registration for debt securities after taking into account the January 31, 1991 issuance of $150 million of 9 1/8% ten-year unsecured notes.

Capital Expenditures

Capital expenditures amounted to $428.8 million, $318.4 million and $289.0 million for 1990, 1989 and 1988 of which $302.8 million, $262.0 million and $224.6 million was for new stores and remodeling and expanding existing stores. Approximately $102 million has been expended to date, the majority in 1990, for the construction of a distribution center and office complex in Reynoldsburg, Ohio. Victoria's Secret Catalogue occupied a portion of the partially completed facility in December, 1990 with Victoria's Secret Stores and Lane Bryant scheduled for May, 1991 occupancy. An additional $25 – $40 million will be expended in 1991 to complete the Reynoldsburg facilities and start construction of a new Victoria's Secret Catalogue office and distribution complex in Columbus, Ohio scheduled for completion in 1992.

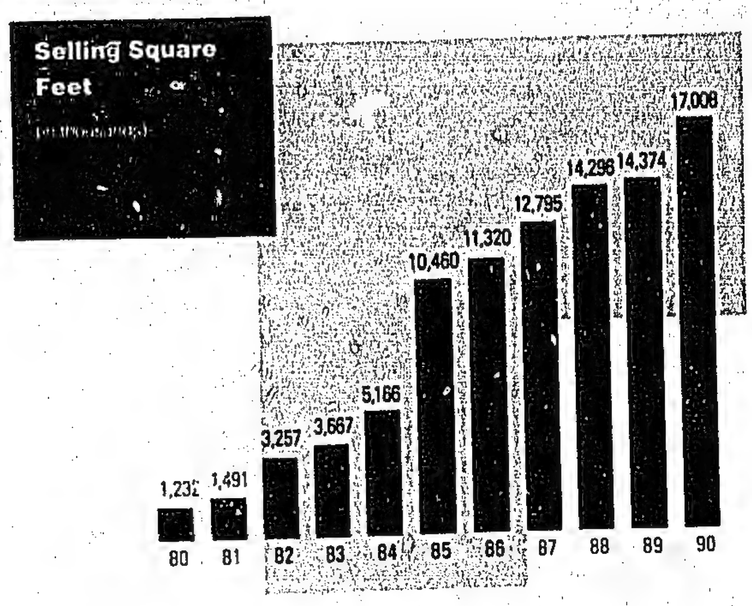
The Company's investment activities for 1990 and 1988 included $11 million and $45 million for the acquisition of Penhaligon's and the purchase of the net assets of Abercrombie & Fitch.

Consolidated Statements of Cash Flows

(thousands)

	1990	1989	1988
Cash Flows from Operating Activities:			
Net income	**$398,438**	$346,926	$245,136
Impact of other operating activities on cash flows:			
Depreciation and amortization	**184,385**	164,713	142,469
Change in assets and liabilities:			
Accounts receivable	**(73,791)**	(65,742)	(16,930)
Inventories	**(101,832)**	(101,580)	(44,072)
Accounts payable and accrued expenses	**38,964**	59,764	91,570
Income taxes	**(38,254)**	(14,212)	53,136
Other assets and liabilities	**16,561**	14,370	21,570
Net Cash Provided by Operating Activities	**424,471**	404,239	492,879
Investing Activities:			
Capital expenditures	**(428,844)**	(318,427)	(288,972)
Subsidiaries (acquired) disposed	**(10,987)**	34,038	(45,206)
Other	**(9,126)**	11,505	7,989
Cash Used for Investing Activities	**(448,957)**	(272,824)	(326,189)
Financing Activities:			
Net repayments under long-term debt arrangements	**(205,228)**	(322,278)	(163,048)
Proceeds from issuance of unsecured notes	**300,000**	250,000	—
Dividends paid	**(86,414)**	(57,470)	(42,982)
Stock options and other	**7,574**	4,791	6,663
Net Cash Provided (Used) by Financing Activities	**15,932**	(124,957)	(199,367)
Net Increase (Decrease) in Cash and Equivalents	**(8,554)**	6,458	(32,677)
Cash and equivalents, beginning of year	**21,734**	15,276	47,953
Cash and Equivalents, End of Year	**$ 13,180**	$ 21,734	$ 15,276

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Management's Discussion and Analysis

The Company anticipates spending $480–$500 million for capital expenditures in 1991, of which $360–$380 million will be for new stores and the expansion and remodeling of existing stores. In December 1990, the Company announced its intention to add approximately 4.0 million selling square feet in 1991 which will represent a 23% increase over year-end 1990. It is anticipated the increase will result from the addition of approximately 600 new stores and the remodeling and expansion of approximately 250 stores. A summary of actual stores and selling square feet for 1989 and 1990 and goals for 1991 follows:

		Goal -1991	1990	1989
Power Businesses				
Limited Stores	# of Stores	785	778	763
	Total Selling Sq. Ft.	4,005,000	3,526,000	3,166,000
Lerner	# of Stores	934	858	802
	Total Selling Sq. Ft.	6,861,000	5,721,000	5,095,000
Lane Bryant	# of Stores	792	752	720
	Total Selling Sq. Ft.	3,585,000	3,295,000	3,037,000
Express	# of Stores	629	549	467
	Total Selling Sq. Ft.	2,991,000	2,151,000	1,599,000
Victoria's Secret Stores	# of Stores	512	442	384
	Total Selling Sq. Ft.	1,568,000	1,210,000	945,000
Total Power Businesses	# of Stores	3,652	3,379	3,136
	Total Selling Sq. Ft.	19,010,000	15,903,000	13,842,000
New Businesses				
Structure	# of Stores	252	152	69
	Total Selling Sq. Ft.	720,000	355,000	134,000
Limited Too	# of Stores	183	108	62
	Total Selling Sq. Ft.	493,000	268,000	105,000
Abercrombie & Fitch	# of Stores	39	27	26
	Total Selling Sq. Ft.	331,000	192,000	166,000
Henri Bendel	# of Stores	4	4	1
	Total Selling Sq. Ft.	93,000	72,000	14,000
Cacique	# of Stores	53	51	44
	Total Selling Sq. Ft.	123,000	115,000	90,000
Victoria's Secret Bath Shops	# of Stores	189	109	38
	Total Selling Sq. Ft.	148,000	76,000	21,000
Bath & Body Works	# of Stores	97	27	6
	Total Selling Sq. Ft.	87,000	24,000	2,000
Penhaligon's	# of Stores	7	7	
	Total Selling Sq. Ft.	3,000	3,000	
Total New Businesses	# of Stores	824	485	246
	Total Selling Sq. Ft.	1,998,000	1,105,000	532,000
Total Retail Divisions	# of Stores	4,476	3,864	3,382
	Total Selling Sq. Ft.	21,008,000	17,008,000	14,374,000
	Increase in Selling Sq. Ft.	4,000,000	2,634,000	78,000

The number of stores for certain newly started businesses was included in previously reported store data for existing businesses. Beginning in third quarter 1990, the Company began reporting separate store statistics for the new businesses.

Impact of Inflation

The Company's results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes that the effects of inflation, if any, on the results of operations and financial condition have been minor.

Adoption of Accounting Standards

The Financial Accounting Standards Board (FASB) periodically issues Statements of Financial Accounting Standards (SFAS), some of which require implementation by a date falling within or after the close of the Company's fiscal year.

In March 1990, the FASB issued SFAS No. 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk." This pronouncement required financial statement disclosure of selected information about interest rate swap agreements in effect as of the balance sheet date. Since the Company periodically enters into these agreements to manage the interest rate sensitivity of its debt portfolio, a summary of an arrangement in place at February 2, 1991 is disclosed in Note 5 to Consolidated Financial Statements.

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which essentially requires the accrual of these benefits during the pre-retirement term of employees beginning in fiscal 1993, as opposed to the present cash basis of accounting for these benefits used by most employers. Under the Company's present benefit structure, this pronouncement will have no impact on its financial statements.

Accounting for Income Taxes

In December 1987, the FASB issued SFAS Statement No. 96, "Accounting for Income Taxes," which required the adoption of new tax accounting and disclosure rules by 1989. Since that time, the FASB issued SFAS No. 100 and SFAS No. 103 which have effectively delayed implementation until 1992.

Based on existing conditions, the Company will adopt the new standard in 1992 and will not elect to restate prior periods. The benefit from the cumulative adjustment required as a result of reflecting deferred Federal income taxes at the present statutory rate (34%) will be reduced by the requirement to establish a deferred income tax liability for all remaining acquisition timing differences (principally relating to Lerner). The net impact is anticipated to be favorable but immaterial.

Change in Independent Public Accountants

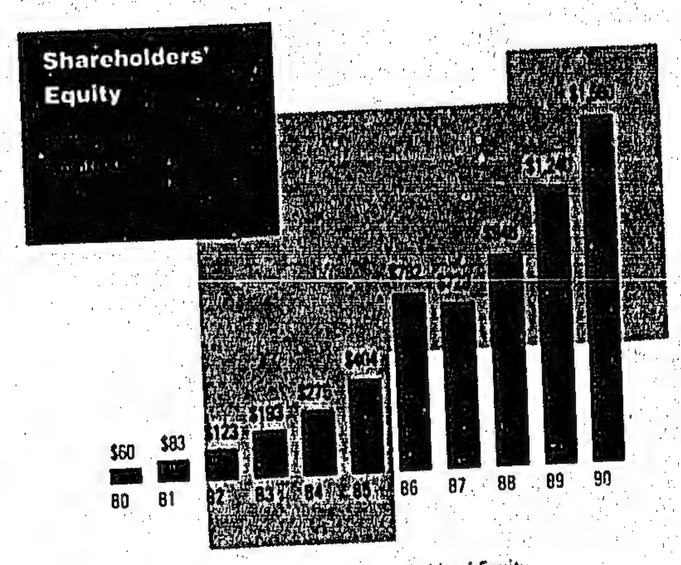
On February 24, 1989, the Audit Committee of the Board of Directors determined not to engage Arthur Andersen & Co. to audit the Company's financial statements for 1989. The Board of Directors of the Company in April, 1989, upon receiving the recommendation of the Audit Committee, selected the firm of Coopers & Lybrand. During 1988, there were no disagreements with Arthur Andersen & Co. on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of Arthur Andersen & Co., would have caused Arthur Andersen & Co. to make reference to the subject matter of the disagreement in their report.

Consolidated Statements of Shareholders' Equity

(thousands)

	Common Stock						
	Shares Outstanding	Par Value	Paid-in Capital	Retained Earnings	Unrealized Loss on Marketable Equity Securities	Treasury Stock, at Cost	Total Shareholders' Equity
Balance, January 30, 1988	**178,847**	**$ 94,837**	**$205,328**	**$ 677,232**	**$(8,219)**	**$(240,007)**	**$ 729,171**
Net income	—	—	—	245,136	—	—	245,136
Cash dividends	—	—	—	(42,982)	—	—	(42,982)
Exercise of stock options & other	425	26	(1,635)	—	8,219	8,272	14,882
Balance, January 28, 1989	**179,272**	**94,863**	**203,693**	**879,386**	**—**	**(231,735)**	**946,207**
Net income	—	—	—	346,926	—	—	346,926
Cash dividends	—	—	—	(57,470)	—	—	(57,470)
Exercise of stock options & other	571	—	(7,461)	—	—	12,252	4,791
Balance, February 3, 1990	**179,843**	**94,863**	**196,232**	**1,168,842**	**—**	**(219,483)**	**1,240,454**
Net income	—	—	—	398,438	—	—	398,438
Cash dividends	—	—	—	(86,414)	—	—	(86,414)
Exercise of stock options & other	738	—	(2,131)	—	—	9,705	7,574
Two-for-one stock split	180,017	94,864	(94,864)	—	—	—	—
Balance, February 2, 1991	**360,598**	**$189,727**	**$ 99,237**	**$1,480,866**	**$ —**	**$(209,778)**	**$1,560,052**

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Return on Average Shareholders' Equity
(ten year average 35%)

Notes To Consolidated Financial Statements

(thousands except per share amounts)

1 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of The Limited, Inc. (the Company) and all significant subsidiaries which are more than 50 percent owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in other entities (including joint ventures), which are more than 20 percent owned, are accounted for on the equity method.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal year 1990 represent the 52-week period ended February 2, 1991. Results for 1989 represent the 53-week period ended February 3, 1990 and results for 1988 represent the 52-week period ended January 28, 1989.

Cash and Equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with maturities of less than 90 days.

Inventories

Inventories are principally valued at the lower of average cost or market, on a first-in first-out basis, utilizing the retail method.

Marketable Equity Securities

Marketable equity securities are valued at the lower of aggregate cost or market. Adjustments resulting from the revaluation of marketable equity securities which are carried as current assets are charged or credited to earnings. Valuation allowances for long-term investments, net of related deferred tax benefits, are reflected as a separate component of shareholders' equity.

Property and Equipment

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10–30 years for buildings and improvements and 3–10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments which extend service lives are capitalized.

Interest Rate Swap Agreements

The difference between the amount of interest to be paid and the amount of interest to be received under interest rate swap agreements due to changing interest rates is charged or credited to interest expense over the life of the swap agreement.

Provision for Income Taxes

The provision for income taxes is based on pretax income as reported for financial statement purposes, and includes a deferred provision for the tax effect of timing differences between the financial and tax reporting of certain revenue and expense items. Deferred Federal income taxes, net of applicable foreign tax credits, are provided on the undistributed earnings of foreign subsidiaries.

In December 1989, the Financial Accounting Standards Board issued SFAS No. 103 which deferred adoption of SFAS No. 96, "Accounting for Income Taxes," until no later than 1992. Upon adoption, the accounting standard will require the Company to implement a new approach to accounting for deferred income taxes. A more detailed discussion of this matter is included under the heading, "Accounting for Income Taxes," in Management's Discussion and Analysis, on page 47 of this Annual Report.

Shareholders' Equity

On May 22, 1990, the Board of Directors of the Company declared a two-for-one stock split in the form of a 100% stock dividend, payable on June 19, 1990 to shareholders of record June 8, 1990. As of the payment date, the Company increased capital stock and reduced paid-in capital by approximately $95 million. Earnings and dividends per share included in the consolidated financial statements have been adjusted to reflect the stock split.

Five hundred million shares of $.50 par value common stock are authorized, of which 360.6 million and 179.8 million were outstanding, net of 18.9 million shares and 9.9 million shares held in treasury at February 2, 1991 and February 3, 1990. Ten million shares of $1.00 par value preferred stock are authorized, none of which have been issued.

Net Income Per Share

Net income per share is computed based upon the weighted average number of outstanding common shares, including the effect of stock options, and is adjusted for the two-for-one stock split declared in May, 1990. There were 362.0 million, 361.3 million and 360.2 million weighted average outstanding shares for fiscal years 1990, 1989 and 1988.

Notes To Consolidated Financial Statements

2 Accounts Receivable

Accounts receivable consisted of:

	1990	1989
Deferred payment accounts	$610,286	$562,067
Trade and other	84,177	54,346
Allowance for uncollectible accounts	(24,167)	(20,242)
	$670,296	$596,171

Finance charge revenue on the deferred payment accounts amounted to $122.6 million, $101.9 million and $84.5 million in 1990, 1989 and 1988, and the provision for uncollectible accounts amounted to $46.7 million, $36.5 million and $38.0 million in 1990, 1989 and 1988. These amounts are classified as components of the cost to administer the deferred payment program and are included in general, administrative and store operating expenses.

3 Property and Equipment

Property and equipment, at cost, consisted of:

	1990	1989
Land, buildings and improvements	$ 237,466	$ 235,728
Furniture, fixtures and equipment	982,397	766,399
Leaseholds and improvements	643,177	615,182
Construction in progress	185,019	74,060
	2,048,059	1,691,369
Less–Accumulated depreciation and amortization	652,986	518,681
Property and equipment, net	$1,395,073	$1,172,688

4 Leased Facilities and Commitments

Annual store rent is comprised of a fixed minimum amount, plus contingent rent based upon a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses.

A summary of rent expense for 1990, 1989 and 1988 follows:

	1990	1989	1988
Store rent:			
Fixed minimum	$300,704	$249,035	$217,296
Contingent	21,428	27,328	24,169
Total store rent	322,132	275,363	241,465
Equipment & other	32,602	27,081	25,508
Total rent expense	$354,734	$302,444	$266,973

At February 2, 1991, the Company was committed to noncancelable leases with remaining terms of one to forty years. A substantial portion of these commitments are store leases with initial terms ranging from ten to twenty years. Accrued rent expense was $39.6 million and $41.1 million at February 2, 1991 and February 3, 1990.

A summary of minimum rent commitments under noncancelable leases follows:

1991	$ 342,000
1992	341,000
1993	329,000
1994	313,000
1995	299,000
Thereafter	$1,620,000

5 Long-Term Debt

Long-term debt consists of:

	1990	1989
Commercial paper	$140,448	$195,674
9 1/8% Unsecured Notes due February, 2001	150,000	—
8 7/8% Unsecured Notes due August, 1999	100,000	100,000
8.61% Unsecured Notes due December, 1993	100,000	—
Floating Rate Unsecured Note due December, 1993	50,000	—
10 5/8% Notes due October, 1990	—	150,000
	$540,448	$445,674

Effective August 30, 1990, the Company replaced two revolving credit agreements totalling $800 million with a $900 million unsecured credit agreement (the "Agreement"). Upon expiration of the revolving term, presently August 31, 1993, or any extensions thereof, the amount outstanding will be repaid in eight equal semi-annual installments. The revolving term of the Agreement may be extended annually unless the lenders provide advance notification, approximately six months prior to expiration, not to extend. The Agreement has several borrowing options including interest rates which are based on either the lenders' "Base Rate," as defined, LIBOR, CD based options or at a rate submitted under a bidding process. Commitment and facility fees for the Agreement approximate 1/8% of the total commitment. This Agreement and certain of the other debt agreements place restrictions on the amount of the Company's working capital, debt and net worth.

The Agreement supports the commercial paper program, working capital requirements and general corporate purposes. No amounts were outstanding under the Agreement at February 2, 1991. Commercial paper will be classified as long-term so long as the remaining term of the Agreement exceeds one year and any unused commitments thereunder equal or exceed the amount of commercial paper outstanding.

Notes To Consolidated Financial Statements

Effective January 31, 1991, the Company issued $150 million of 9 1/8% unsecured notes due February 1, 2001. The proceeds were used to replace commercial paper borrowings. After issuance of the 9 1/8% unsecured notes, the Company can offer $150 million of debt securities under a shelf registration statement filed in October, 1989.

In August 1989, the Company issued $100 million of ten-year 8 7/8% unsecured notes. Proceeds of this issue replaced commercial paper borrowings previously used to fund the Company's credit card receivables.

In December 1990, the Company issued $100 million of 8.61% unsecured notes and a $50 million floating rate unsecured term note, which are due in December, 1993. At February 2, 1991, the $50 million term note's interest rate was 7.625% based upon LIBOR plus 1/4%.

The Company periodically enters into interest rate swap agreements with the intent to manage interest rate sensitivity of the debt portfolio. At February 2, 1991, the Company had one outstanding interest rate swap agreement with a total notional principal amount of $100 million. The agreement effectively changed the Company's interest rate exposure on $100 million of variable rate debt to a fixed rate of 8.42% through July, 2000. The counterparty to the swap agreement has a one-time option to cancel the remaining term of the agreement during July, 1992.

Interest paid approximated $59.6 million, $49.9 million and $65.9 million in 1990, 1989 and 1988.

6 Income Taxes

The provision for income taxes consisted of:

	1990	1989	1988
Currently payable:			
Federal	$206,700	$176,700	$124,900
State	31,900	26,100	14,500
Foreign	7,600	7,100	7,000
	246,200	209,900	146,400
Deferred:			
Federal	(1,300)	7,200	(8,200)
State	8,100	9,900	12,800
	6,800	17,100	4,600
Total provision	$255,000	$227,000	$151,000

The foreign component of pretax income, arising principally from overseas sourcing operations, was $72.9 million, $56.8 million and $40.2 million in 1990, 1989 and 1988.

A reconciliation between the statutory Federal income tax rate and the effective income tax rate follows:

	1990	1989	1988
Federal income tax rate	34.0%	34.0%	34.0%
State income tax, net of Federal income tax effect	4.0	4.1	4.5
Other items, net	1.0	1.5	(.4)
	39.0%	39.6%	38.1%

The components of the deferred tax provision follow:

	1990	1989	1988
Excess of tax over book depreciation	$ 4,900	$ 20,100	$ 19,200
Deferred profit on receivables	(24,200)	(26,000)	(22,200)
Other items, net	26,100	23,600	7,600
	$ 6,800	$ 17,100	$ 4,600

The Tax Reform Act of 1986 eliminated the use of the installment method for recognizing income on sales from the Company's credit card operations and requires that deferred income on sales at January 31, 1987 be included in taxable income over a four-year period beginning in 1987. At February 2, 1991, all income taxes relating to installment sales have been paid or are included in currently payable income taxes.

Income tax payments approximated $253.8 million, $223.6 million and $93.4 million for 1990, 1989 and 1988.

7 Stock Options

Stock options are granted to officers and key employees based upon fair market value at the date of grant. Option activity for 1989 and 1990, as adjusted for the June 8, 1990 stock split, follows:

	Number of Shares	Weighted Average Option Price Per Share
Outstanding Options, January 28, 1989	4,598,000	$ 7.42
Activity during 1989:		
Granted	1,730,000	14.92
Exercised	(1,206,000)	4.92
Cancelled	(154,000)	10.92
Outstanding Options, February 3, 1990	4,968,000	$10.52
Activity during 1990:		
Granted	2,083,000	20.03
Exercised	(927,000)	6.81
Cancelled	(328,000)	15.26
Outstanding Options, February 2, 1991	5,796,000	$14.26

The Company had approximately 9.0 million shares available for grant at February 2, 1991 as compared to 10.7 million shares available at February 3, 1990. Approximately 5.8 million shares of the Company's common stock were reserved for outstanding options, of which 2.3 million were exercisable as of February 2, 1991.

Notes To Consolidated Financial Statements

6 Finance Subsidiary

World Financial Network National Bank, a wholly-owned consolidated finance subsidiary formed effective May 1, 1989, purchased without recourse certain receivables generated by the Company's credit card operations. Condensed financial information of the finance subsidiary follows:

	February 2, 1991	February 3, 1990
Assets		
Credit card receivables, net of allowance for doubtful accounts	$586,000	$541,500
Other assets, net	14,700	7,000
	$600,700	$548,500
Liabilities and Investment		
Payable to wholly-owned subsidiaries and affiliates of The Limited, Inc.	$ 37,700	$ 43,500
Investment of The Limited, Inc.:		
Subordinated debt	526,300	465,800
Equity investment	36,700	39,200
	$600,700	$548,500

	Year Ended February 2, 1991	Nine Months Ended February 3, 1990
Income before interest expense and taxes	$ 56,600	$ 39,200
Interest expense	39,100	28,200
Pretax income	$ 17,500	$ 11,000

Holders of credit cards issued by the finance subsidiary are located throughout the United States, have various available lines of credit which are subject to change by the finance subsidiary and are used to purchase merchandise offered for sale by affiliates.

9 Quarterly Financial Data (Unaudited)

Summarized quarterly financial results for 1990 and 1989 follow:

1990 Quarter	First	Second	Third	Fourth
Net Sales	$1,107,345	$1,154,562	$1,247,893	$1,743,709
Gross Income	325,724	352,018	379,050	573,647
Net Income	62,315	79,025	84,917	172,181
Net Income Per Share	$ .17	$ .22	$ .23	$ .48

1989 Quarter				
Net Sales	$ 964,617	$ 990,284	$1,110,449	$1,582,566
Gross Income	278,351	300,621	347,129	520,534
Net Income	45,189	63,781	84,869	153,087
Net Income Per Share	$ .13	$ .18	$ .23	$ .42

Report of Independent Public Accountants

To the Board of Directors
and Shareholders of
The Limited, Inc.

We have audited the accompanying consolidated balance sheets of The Limited, Inc. and subsidiaries as of February 2, 1991 and February 3, 1990, and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal years then ended (appearing on pages 42, 44, 46 and 48 through 52). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated statements of income, shareholders' equity, and cash flows of The Limited, Inc. and subsidiaries for the fiscal year ended January 28, 1989 were audited by other auditors, whose report, dated February 13, 1989, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Limited, Inc. and subsidiaries as of February 2, 1991 and February 3, 1990 and the consolidated results of their operations and their cash flows for the fiscal years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand
Columbus, Ohio
February 18, 1991

Market Price and Dividend Information

	Market Price*		Cash Dividend Per Share*
	High	Low	
Fiscal Year 1990			
4th Quarter	$22 1/4	$13 5/8	$.06
3rd Quarter	19 7/8	11 3/4	.06
2nd Quarter	25 5/8	17 1/2	.06
1st Quarter	21 1/8	16 1/2	.06
Fiscal Year 1989			
4th Quarter	$18 13/16	$15 1/4	$.04
3rd Quarter	19 15/16	16 1/2	.04
2nd Quarter	18 1/16	14 11/16	.04
1st Quarter	15 3/4	12 5/8	.04

* Adjusted to reflect the June 8, 1990 two-for-one stock split.

The Company's common stock is traded on the New York Stock Exchange ("LTD"), the London Stock Exchange and the Tokyo Stock Exchange. On February 2, 1991, there were 22,600 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company sponsored retirement plans and others holding shares in broker accounts under street name, the Company estimates the shareholder base at approximately 80,000.

Directors

Leslie H. Wexner (a) (c)
Chairman

Thomas G. Hopkins
Vice Chairman

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

Bella Wexner
Secretary

Martin Trust
President
Mast Industries, Inc.
Andover, Massachusetts

W. Arthur Cullman (a)
Professor Emeritus
of Marketing
The Ohio State University
Columbus, Ohio

John W. Kessler (a) (c)
Real Estate Developer
Columbus, Ohio

David T. Kollat
Chairman
22 Inc.,
a management consulting
and marketing research firm
Worthington, Ohio

Claudine B. Malone (b)
Management Consultant
McLean, Virginia

John K. Pfahl (b)
President
John K. Pfahl, Inc.
a management consulting firm
Columbus, Ohio

Donald B. Shackelford (a) (b)
Chairman of the Board
State Savings Bank
Columbus, Ohio

Allan R. Tessler (b) (c)
Chairman
and Chief Executive Officer
International Financial Group
New York, New York

Raymond Zimmerman
Chairman of the Board
and President
Service Merchandise Co., Inc.
Brentwood, Tennessee

(a) Member of Executive Compensation and Stock Option Committee
(b) Member of Audit Committee
(c) Member of Nominating Committee

Executive Officers

Leslie H. Wexner
Chairman

Thomas G. Hopkins
Vice Chairman

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

Bella Wexner
Secretary

Wade H. Buff
Vice President
Internal Audit

Alfred S. Dietzel
Vice President
Financial and Public Relations

William K. Gerber
Vice President
Corporate Controller

Timothy B. Lyons
Vice President
Taxes

Margaret T. Monaco
Vice President
Treasurer

Corporate Offices
Two Limited Parkway
PO Box 16000
Columbus, Ohio 43216
614-479-7000

Annual Meeting
The Annual Meeting of Shareholders
is scheduled for 9:00 AM
Monday, May 20, 1991
at the Lane Bryant Headquarters
8655 East Broad Street
Reynoldsburg, Ohio 43068

Date Founded 1963
Number of Associates 72,500
Approximate Shareholder Base 80,000

Overseas Offices
London, England
Paris, France
Florence, Italy
Milan, Italy
Kowloon, Hong Kong
Seoul, Korea
Taipei, Taiwan

10-K Report
A copy of Form 10-K is available
without charge upon written request to
Alfred S. Dietzel, Vice President
The Limited, Inc.
PO Box 16000
Columbus, Ohio 43216

Stock Transfer Agent,
Registrar and Dividend Agent
First Chicago Trust Company of New York
30 West Broadway
New York, New York 10007
212-587-6515

Stock Exchange Listings
New York Stock Exchange
(Trading Symbol "LTD")
London Stock Exchange
Tokyo Stock Exchange

Legal Counsel
Schwartz, Kelm, Warren & Rubenstein
Columbus, Ohio

Independent Public Accountants
Coopers & Lybrand
Columbus, Ohio

Design: Frankfurt Gips Balkind/NY-LA Copy Consultant: Rita D. Jacobs Illustrator: Javier Romero Printing: Heritage Press

The Limited, Inc.

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